UNLEASHING CREATIVITY

stw group

ANNUAL REPORT 2013

CONTENTS

AT STW WE BELIEVE THAT CREATIVITY FUELS GROWTH. IDEAS CREATE GROWTH. IT IS WHAT UNDERPINS EVERYTHING WE DO. STW GROUP IS ONE OF THE WORLD'S LARGEST AND MOST SUCCESSFUL MARKETING CONTENT AND COMMUNICATIONS GROUPS. WE ARE FULL OF BIG IDEAS, CREATED BY AN INCREDIBLY DIVERSE GROUP OF PEOPLE.

We at STW are obsessed with one thing — solving client's business challenges and finding solutions that will help them grow. Without ideas and innovation, growth stalls and eventually the world stops.

Clients come to us because of our differences; our diversity; our originality. It is our diversification that underpins our business model. STW Group has multiple offerings within each industry sector and a wide spread of client engagements with no material reliance on any individual revenue source. We have diversified our geographic footprint into new higher growth markets.

STW has a three-pillared strategic growth focus: to drive growth out of our leadership positions in Australia and New Zealand; to continue to grow and evolve our digital offering; and to selectively and carefully expand our footprint into new markets beyond Australia and New Zealand.

2013 saw us accelerate growth across all three pillars of our strategy.

HIGH LIGHTS

- Australasia's largest, most profitable marketing and communications business
- Very solid new business/market share gain performance
- Solid revenue and profit growth
- NPAT growth of 12.5%
- Revenue base continues to expand beyond marketing
- Strengthening and further diversifying our portfolios with investments in quality businesses
- Continuing to invest in new revenue streams and to incubate new business start-ups
- Focus on geographic expansion and exporting home grown brands and intellectual property
- Strong momentum in digital and technology leadership
- Total dividend relating to the 2013 year of 8.6 cents per share, fully franked
- Full year dividend payout ratio increased to 70% of underlying profit, reflecting strong business performance and confidence in outlook

The STW Group is made up of 78 operating companies that span across every marketing communications, content and production discipline:

- Advertising
- Media
- Insights and research
- Branding
- Public relations and government relations
- Brand activation
- Digital/Data
- Field and Shopper Marketing
- Platform
- Loyalty and CRM
- Logistics

WHO

Each company is a force in its own right, a leader in its discipline, and plays an important role in STW's overall portfolio.

Our companies are entrusted with building and growing many of the world's biggest brands, by the world's largest companies. Our companies unearth new insights and ideas that can change a business model or take a brand from good to great.

Our companies use their mastery of the latest technology to transform the way brands interact with their audiences and customers. Our companies employ over 4,000 of the best minds in the business. Our companies are the driving force behind our growth; they are home to the most capable and impressive minds in our industry, and their collective ability is unbeatable.

FOR THE YEAR ENDED 31 DECEMBER 2013 STW GROUP'S:

Proportionate revenue grew by

12.4%

to A$402.1 million

Proportionate EBITDA improved to

$87.6 m

up from A$79.3 million

Underlying net profit after tax increased by

12.5%

to A$49.5 million

Underlying earnings per share were up to

12.3¢

up from 12.0 cents

Full year fully franked dividend increased to

8.6¢

up from 8.3 cents per share

Balance sheet continued to be conservatively managed with net drawn debt of

$129.1 m

DEAR SHAREHOLDERS

THIS YEAR WAS A SOLID PERFORMANCE AGAINST THE BACKDROP OF A CHALLENGING MARKET AND ECONOMY. OR TO BORROW A PHRASE FROM EDWARD DE BONO THAT WE USE AT STW, IT WAS AN 'EBNE' RESULT... EXCELLENT BUT NOT ENOUGH.

Portrait by Marta Zafra

CREATIVE COMMITMENT

My description of STW's 2013 results may sound a bit like a broken record as we seem to have been battling industry headwinds and difficult economic conditions for too many years now. But I am pleased that we have been able to consistently deliver growth across this period without any benefit from economic tailwinds. There is no doubt that the commitment of the STW management team to the continued evolution of the STW business model; the broadening of the range of capabilities and skills that we can offer to our clients and the expansion of the geographies in which we operate, have been a key driver in enabling us to deliver another year of revenue, profit and dividend growth for our shareholders. I would like to acknowledge the contribution and unstinting efforts last year of your Chief Executive Officer, Mike Connaghan; Chief Operating Officer, Chris Savage and Chief Financial Officer, Lukas Aviani. They of course, in turn, are backed up by a dedicated head office team and a growing band of 4,000 plus wonderfully talented executives not only in Australia and New Zealand but now across South East Asia and even into North America and Europe. Thank you one and all for your dedication, hard work, zeal, creativity and commitment to delivering high quality outcomes for our clients.

So what can the STW shareholders expect in 2014?

Can STW deliver better results?
Yes, that is our unwavering goal and expectation.

Will the pace of change that is sweeping across our industry diminish?
It will accelerate, but that creates opportunities for STW.

Will the economic conditions across our geographies improve?
I am optimistic that they will in 2014 but this is a factor outside our control.

Is the unique breadth of offering that we can deliver to our clients to address their total needs, critical to our continued success?
Yes and even more so in 2014.

Do we need to continue to evolve and challenge our business model for 2014 and beyond?
Yes and we will. This entails strategic risk in making new acquisitions, seeding new businesses and expanding into new geographies. In so doing we need to balance short term returns with longer term growth potential.

Are we committed to gaining organic market share by providing a superior and total solution for our clients?
Yes, this goes to the heart of why we are constantly evolving our business model and broadening our offering.

It is clear that STW operates in a very dynamic industry that is the subject of rapid change and that sitting still is not an option. That said, our industry is far from unique in that regard. I also firmly believe that STW is better equipped than our competitors in this market to embrace and tackle this challenging operating environment and not only survive, but to prosper.

The diversified platform that we have established at STW makes us a very attractive home for good businesses seeking a partner. It enables us to organically grow and nurture new business ideas, and importantly, makes us a first port of call for the best and brightest talent wanting to enter the industry. Now we have to continue to improve that model and ensure that we capitalise on it for the benefit of our shareholders.

2014 will be an exciting and threshold year for STW. We expect to see the benefits of our continued diversification really start to bear fruit; we expect to see improved traction with our international expansion; and we expect that the size and consistency of our more traditional businesses will enable them to win market share.

As I reflect on this annual letter to shareholders I take comfort that despite all the noise and change around us, my underlying message to shareholders has not changed... your board and senior management team are confident that STW is on the right strategic path.

In closing, I would like to thank my fellow directors for their support and counsel again during 2013. I can assure all our shareholders that your board is very hard working, considered and diligent in carrying out their role on your behalf.

Yours sincerely
Robert Mactier
Chairman

2013 was a year of continued acceleration of the massive change sweeping across our industry. Our result of NPAT 12.5% growth is testament to the fact that our strategy is working.

Big at home, developing deep digital specialty across the group and by adding new capabilities, and looking to emerging markets outside of our home in Australia and New Zealand. This is enabling growth and helping us to keep up with the significant disruption to the traditional marketing communication model.

The good news for shareholders is some of that disruption, specifically the rapidly changing nature of where client money is coming from and where it is being deployed, is informing our own diversification strategy. More group revenues are now coming from beyond marketing budgets — from technology, capital expenditure, sales, CIO mandates, human resources and other parts of the client organisation. This means we must continue to mould our offering around our client's new demands. It means we continue to stretch our offer into new areas of the communications landscape, some of which traditionally have not been natural to us. Keeping a step ahead of change is what drove our growth to where we are today, and that's exactly what we're doing again.

One of our industry colleagues said to us recently: "The problem with most businesses in our industry is that they only disrupt themselves as much as their most disruptive clients demand. To stay ahead they must disrupt themselves first, and in a meaningful manner. You guys seem to get that and are constantly evolving your business to be one step ahead." I like that.

However, this report is about 2013 and looking back on what was a pretty successful year for the group. Conditions were far from ideal but we managed the business tightly, won more than our fair share of new business and welcomed some fantastic new partner companies in to the group.

I'm very pleased to report that the majority of our new investments have settled into the group and are performing well.

Colmar Brunton finally joined the group during 2013. I say finally because I feel like I've known John Shannahan and his team a long time. Colmar Brunton have been a brilliant addition to the STW stable. They are a great bunch of people that give us a much broader exposure to the important Research/Insights sector. Colmar Brunton has already outperformed even our lofty expectations.

CPR Vision joined our stable in South East Asia. A young business with market leading data driven CRM capabilities, specialised in cutting edge social marketing and influence. Social is exploding, but particularly in certain developing markets. The ability to tap social networks to connect with consumers is a huge growth opportunity for our clients.

On the subject of South East Asia, we made significant progress by establishing Edge Asia. By combining the assets of Edge, New Media, Antics and Alpha Salmon we now have the first digital advertising regional network truly born and bred in South East Asia. With offices in Jakarta, Bangkok, Singapore, Ho Chi Minh, Kuala Lumpur and soon Manila, it is set to be a powerhouse in these high growth markets.

We will continue our investment in both startups and specialist capability because we must remain agile to keep pace with change.

The legacy marketing theory was based in the traditional 4 Ps: Price, Placement, Product and Promotion. It was from Promotion that the vast majority of our Group revenues would have been generated. The 4 Ps are no longer enough and we believe the weight of revenue and client expectation has shifted significantly. There IS a revolution going on. We believe that — as the mainstream media model depowers and consumers take more control of what content and messaging they will allow in to their lives — that the Ps of Place and Product are becoming more important for clients and hence demanding deeper technical solutions, more rigour, more creativity and more budget. Not only has the mix changed, but it has evolved to a point where we must consider more than just the 4 Ps. There are now extra Ps in the mix, and most importantly for a group like ours, Platforms and Predictability. We are growing our revenues and driving investment in to these specialised areas of the developing marketing mix. Marketing now offers far richer, precise opportunity, and with it comes massive complexity. For many it is overwhelming: for STW, it is an incredible opportunity to stand alongside our clients, our companies and our people, to help them navigate and importantly to help them grow.

Late in 2013 we assembled 20 of our most senior people, and held a session around the STW purpose. Our purpose has been Ideas Create Growth for a few years now. Was it time to rethink and refresh?

The work we did underlined the fact that, despite the whirlwind of change taking place around us, Ideas Create Growth provides a powerful guide point for our group. What became clear was that as change took hold; as the marketing mix evolved; as more revenue came from outside marketing; and the more communications evolved to digital-led, data-driven one to one communications; magnifying CREATIVITY in every one of our companies was imperative. Creativity is not just about big ideas that can work multi-platform and deliver results. It's also about clever thinking, brilliant strategy, and constant innovation.

You will see a focus on creativity through this annual report. It's a focus that will further enhance our leadership position. It is a focus across our whole mix — a belief that creativity can and should be able to come from anywhere, from high end design thinking to the logistical solution for sampling a new product across Australia.

We have just held our annual leadership conference, followed by a 250 person client luncheon. We used these forums to reiterate our purpose and competitive edge in a fast changing, new technology driven world. Our guest speaker was a global thought leader on creativity — Sir Ken Robinson — and was the perfect reminder of the powerful opportunity we have to unleash creativity across the business.

Sir Ken validated our strategy, and inspired our people and clients that creativity in everything we do will help navigate the complexity we are facing which is fundamental to growth.

Our 8 Star Performance Dashboard continues to serve as a powerful tool in ensuring a disciplined and common approach to driving business success. Our Dashboard winners were announced on the night of our leadership conference. It is very satisfying to see the diversity in the list of winners below:

Most Improved: Added Value
Partnership: AMR
Profile: Barton Deakin
Innovation: Aleph
Pipeline: Maverick, Maxus
People: Ogilvy Australia
Product: One20
Proactivity: Buchanan Group
Performance: The Brand Agency
Business of the Year: Designworks NZ

As a final sign off I must thank a few people. Firstly the STW Board have again been strong in their support of the management group and provided us with a clear and professional path forward.

To all our leaders: Your tenacity, creativity and loyalty is what sets us apart. With a group as diverse as ours, it never ceases to amaze me what we can achieve when we come together, the level of partnership across the group has never been stronger. Thank YOU.

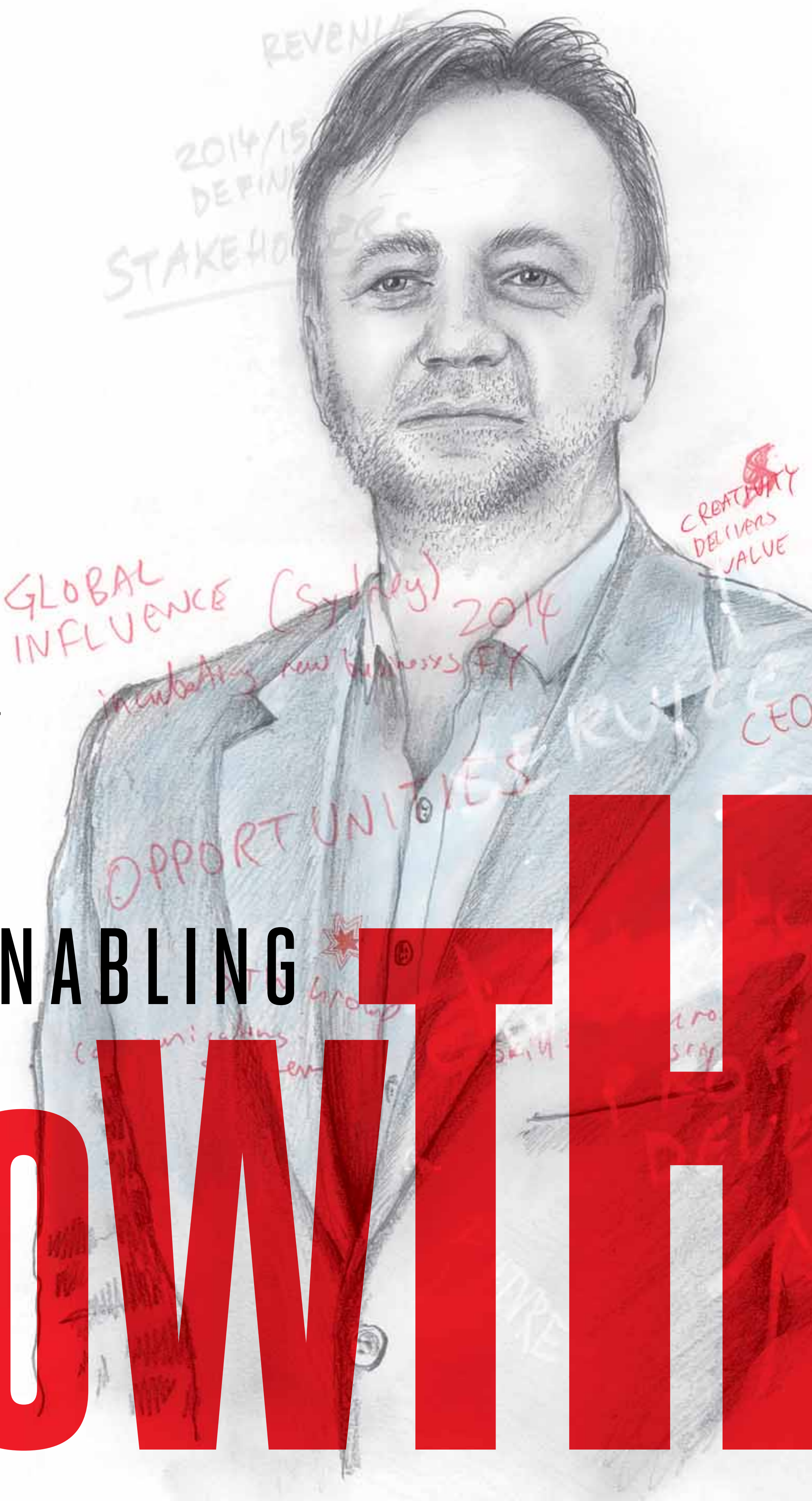
To the core team at the centre: We are deliberately lean, which means you guys carry a heavy load. Without naming you all, you know it would be impossible without your efforts!

To our loyal shareholders: Thanks for believing in and supporting us.

Lastly, to my left and right hand men, Chris Savage (COO) and Lukas Aviani (CFO): The company, shareholders and mostly myself, are lucky and thankful to have you guys in our corner. Thank you.

I'm confident the continued challenges for 2014 and beyond will pose to business and for our company specifically are well within our grasp. This is a time to take advantage of uncertainty. We move forward relentlessly, staying nimble and flexible, with confidence—in a strategy that is working, a team that is united and committed, a diversified business model well suited for changing client needs, and a core purpose of Ideas Create Growth—driven by unleashing the creativity of our more than 4,000 people in everything we do.

Thanks
Mike Connaghan
Chief Executive Officer



ENABLING GROWTH

Portrait by Steve Leadbeater
(Cornwell, STW Group)

Portrait by Oslo Davis

CHANGE

Here's an idea for powerful innovation in 2014.
We believe that ideas create growth — that unleashing the power of creativity in everything we do will be our driving force in remaining relevant and value-adding to clients in a fast-changing world.

Creativity, though, is much more than just the clever thinking, strategies and ideas we give to clients. It's also the centrepiece of how we approach disrupting and evolving ourselves. Here's why.

It starts with the first rule of survival: nothing is more dangerous than yesterday's good result. At STW, we have a track record of delivering on promises. To keep doing that, we have to embrace that we are only as good as our next result.

Our businesses have to work doubly hard — to deliver today, and to ensure they are evolving fast to keep one step ahead to deliver tomorrow. Here's the scary part — when the rate of change inside a company becomes slower than the rate of change outside, the end is in sight.

Innovation drives disruption. And creativity — thinking differently — drives innovation. For STW, innovation is all about the creation of viable new offerings. And new offerings are far more extensive than just offering new products.

At one level, innovation is absolutely about new product offerings and pricing. To tackle pressure on margins, our businesses need to continually develop new, harder to find and 'in demand' services. Some in our industry operate primarily in over-developed service areas, where clients have plenty of options to get what they need. Margins here are low and under pressure. We have to continually find unsatisfied client needs in under-developed markets. It's here that clients struggle to find what they need.

But innovation needs to go beyond product change — rivals can in time copy those.

It's about knowing what your customers want, and then changing in creative and meaningful ways. It's often about sometimes unexpected, clever combinations of existing stuff more than it is about invention of the totally 'new.'

Product delivery is a great example of that. For example, a major way businesses can differentiate and innovate is through outstanding customer service.

Agencies can innovate by reviewing their own structures in the way they deliver their product. Hierarchies of old need to be replaced by new models of nimble, flexible, agile structures, that cut through red tape and connect brands with people faster, smarter, better. How we organise our assets to deliver the work to our clients is critical to this innovation. We need to find better ways to structure teams, with fewer permanent staff, and a greater network of talent that can be leveraged for projects and then disbanded.

We also have to constantly add new specialist services to deliver to clients as technology evolves, and client needs change.

And that's the point of much of our product innovation effort. If we're not cannibalising our core offering, someone else will be.

One definition of partnering is to collaborate with one's enemy. For years, the different specialisations within 'communications' nervously eyed the others as indeed, the enemy. That has changed. We have to collaborate to deliver what our clients need, innovating through the unique and powerful partnerships we can bring to their business.

Innovation in the way we attract, retain and develop talent remains core to everything STW is about. In our experience, the people with the best people always win, always.

Winning teams are built on hard work and high expectations. At STW, we believe high standards are a job perk. It is our role to mentor our companies to create a culture of excellence. The very best in our industry are attracted to high performance, high expectation cultures, and that is what we need to nurture across our group.

Clients are no longer prepared to pay what they consider to be above the odds for production or process services from communications agencies. We have to get much smarter in innovating to drive down the cost of the execution of what we do, but still ensure we do it really, really well.

And here's the most critical factor of all: clients want solutions. They want great thinking — and strategies and ideas that work. We need to be so close to their business that we can proactively identify and develop solutions for their most pressing business challenges. We need to take relevant ideas proactively to our clients — ideas that will solve problems and deliver growth.

We are passionate about making 2014 the 'year of innovation' across STW... unleashing the power of creativity in what we do, how we do it, how we think, how we structure. We must accelerate the pace of innovation in EVERYTHING we do. At the very heart of innovation is creativity. It's what we do best — for our clients, and for ourselves.

Chris Savage
Chief Operating Officer

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SHOW CASE

A ROUND-UP OF THIS YEARS MOST INSPIRING CREATIVITY FROM A CROSS SECTION OF STW COMPANIES

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1 Shop Small for American Express » Ogilvy One
2 Lightning Fast Man for Vodafone » Bohemia
3 Snack in the Face mobile game platform for KFC » DT Digital
4 Repay Your Mouth website for Toohey's Extra Dry » The White Agency
5 Dupe Fresh Air for Yarra Valley Water » Ogilvy
6 Tunnel of Hope at Vivid Sydney for the Benevolent Society » Designworks

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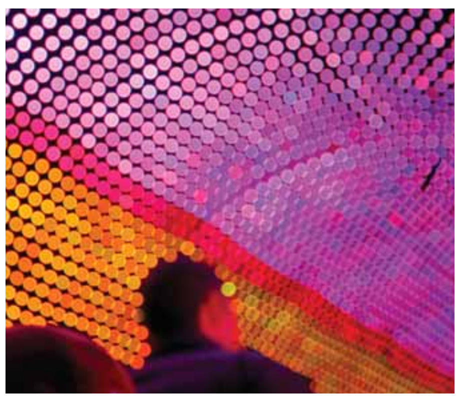
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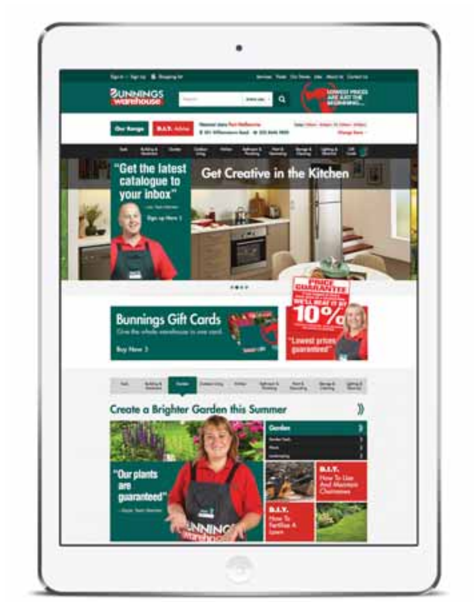
1 Mardi Gras billboard for Coke » Ogilvy
2 Start with Vegemite for Kraft » JWT
3 Surf Life Saving Queensland website » CRU Digital
4 Penfolds 2014 Bin series » Cornwell
5 YouTube award design » Fabric
6 Kiwibank band environment » Designworks NZ
7 Barangaroo residential naming and identity Design for the Anadarra Apartments » Houston



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1 Bunnings website refresh » DT
2 We will remember them WW100 for the New Zealand Government » Designworks NZ
3 TAB mobile apps » Alpha Salmon
4 Cotton On Group brand identity » Cornwell
5 See/Change summer program for South Street Seaport » Cornwell
6 IBM high impact direct mail » Ogilvy One
7 Carnival Cruise Lines for Red Nose Day » Ogilvy PR Australia
8 Fitness First, Change for the Best » Ogilvy PR Australia

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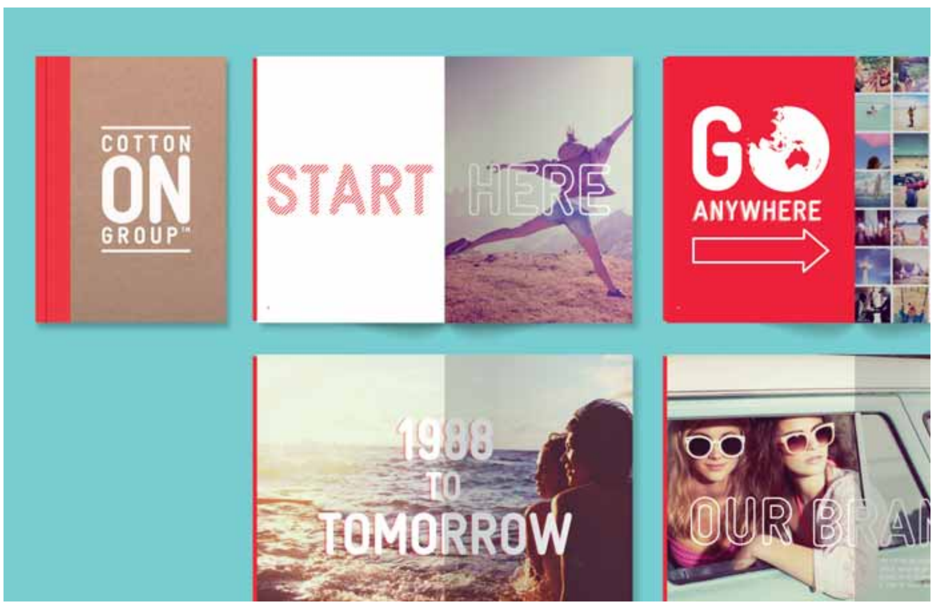

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1 Vote/Don't election campaign for Auckland Council » Ogilvy & Mather NZ
2 Happy Giving (Fresh Food) for Westfield » Moon
3 ASOS wedding chapel at Vogues Fashion Night Out » Tongue
4 Say it with Chicken E cards for KFC » Ogilvy & Mather
5 Vodafone 4G Launch » Switched on Media
6 La Masion packaging for Glasshouse » Moon
7 Rhonda TVC for AAMI » Ogilvy

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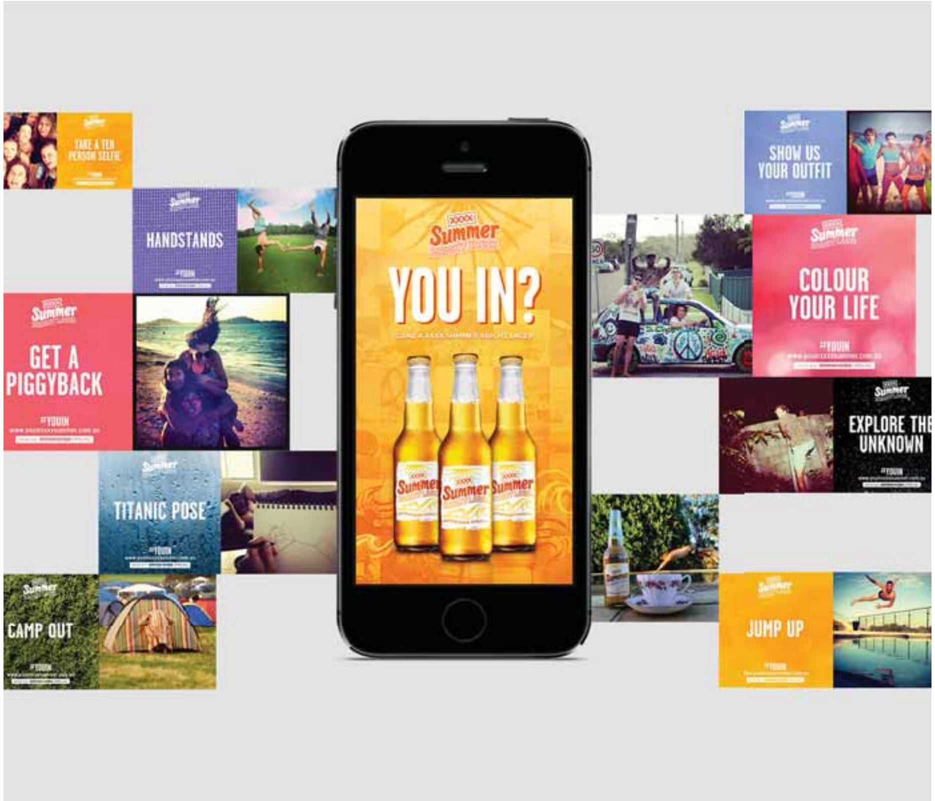

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1 Boral Multistop campaign » Designworks
2 The Twitch for Holden » Ogilvy & Mather NZ
3 The Couch Project for the Salvation Army » Shift
4 XXXX Summer Bright Lager campaign 'You In' » The White Agency
5 Ford Fiesta campaign » JWT
6 Qantas Airways 2013 rebrand » Houston
7 Vodafone Kidults » Ogilvy & Mather
8 Will McCloy starting a conversation with NSW Police officers for R U OK? Day » STW
9 My Water campaign for Water Corporation » The Brand Agency

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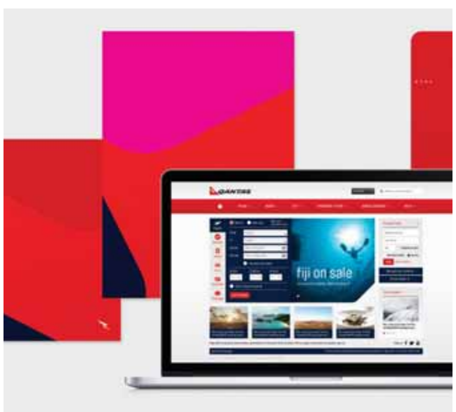

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A CAREFULLY CURATED PORTFOLIO OF TOP CREATIVE COMPANIES

ADDED VALUE
ALEPH
ALPHA SALMON
AMR INTERACTIVE
AMBLIQUE
ASSIGNMENT GROUP
BADJAR OGILVY
BARTON DEAKIN
BEYOND ANALYSIS
BOHEMIA
BUCHANAN GROUP
BULLSEYE
CANNINGS
CATALYST
COLMAR BRUNTON
CORNWELL
CPR VISION
CRU DIGITAL
DESIGNWORKS
DT DIGITAL
EDGE ASIA
ENIGMA
ETCOM
EVOCATIF
FABRIC
FEEDBACK ASAP
FUSION
GROUPM
HAWKER BRITTON
HOED
HOUSTON
HOWORTH
HAYLIX
IKON
IM ADVERTISING
IM PROMOS
JAMSHOP
JUNIOR
JWT
LAWRENCE CREATIVE
MARKITFORCE
MAVERICK
MAXUS GLOBAL
MINDSHARE
MOON
OGILVY & MATHER
NEO@OGILVY
OGILVY ACTION
OGILVY EARTH
OGILVY IMPACT
OGILVY ONE
OGILVY PR
OGILVY PR HEALTH
ONE20
THE ORIGIN AGENCY
PARAGON DESIGN GROUP
PARKER & PARTNERS
PHUEL
PICNIC
PULSE COMMUNICATIONS
PURPLE
SHIFT
SMOLLAN
SWEET DIGITAL
R U OK?
SUBNINE
SPINACH
SWITCHED ON MEDIA
THE BRAIN DEPARTMENT
THE BRAND AGENCY
THE CONSCIENCE ORGANISATION
THE MISSING LINK
ONLINE RESEARCH UNIT
THE WHITE AGENCY
TONGUE
TOUCHPOINT
TRIBE
YELLOW EDGE

ALEX CAMPBELL
STW GROUP (ASIA)

RETHINKING CREATIVITY IN ASIA IS ESSENTIAL TO UNLOCKING BUSINESS GROWTH WITHIN THE STW GROUP

Portrait by Steven Nuttall
(One20, STW Group)

In our industry there has always been a temptation to look at creativity through a narrow lens. The guys and girls on beanbags in the corner cooking up taglines and drawing on the chalkboard — they are the people we typically call the 'creatives'.

No doubt there is still incredible power in the stories that our art directors and copywriters bring to life on behalf of our clients every day.

But when I sit around a table every month or two with the leaders of our Asia businesses, I see something different. I see an incredible group of pioneering entrepreneurs who think of creativity in far broader and deeper terms.

For our digitally-led network in Asia, creativity is not only about cracking the one big campaign idea.

For us, creativity is everyone's job. It's about finding or inventing innovative solutions to our clients' toughest business challenges. It's about building new business models and products for our clients. And it's about developing new models of working with our clients where we share in the risk and the reward of the work we do.

This is what our clients in Asia expect from us. These markets are undergoing tremendous social, commercial and institutional change. Creativity in adapting to and profiting from these changes is in high demand. Sometimes there is a roadmap from the West that can guide the way, but more often new answers and ideas must be found.

As just one example of many within STW, the team at Edge Asia continues to inspire us with the pervasiveness of creativity that runs through their business.

This year Edge worked with Hong Leong Bank in Malaysia to create a whole new online youth-focused bank from scratch, built a cutting-edge performance media business throughout key markets in South East Asia that shares risk and reward with our clients, and developed proprietary content platforms that are delivering uniquely targeted and relevant audiences for their clients.

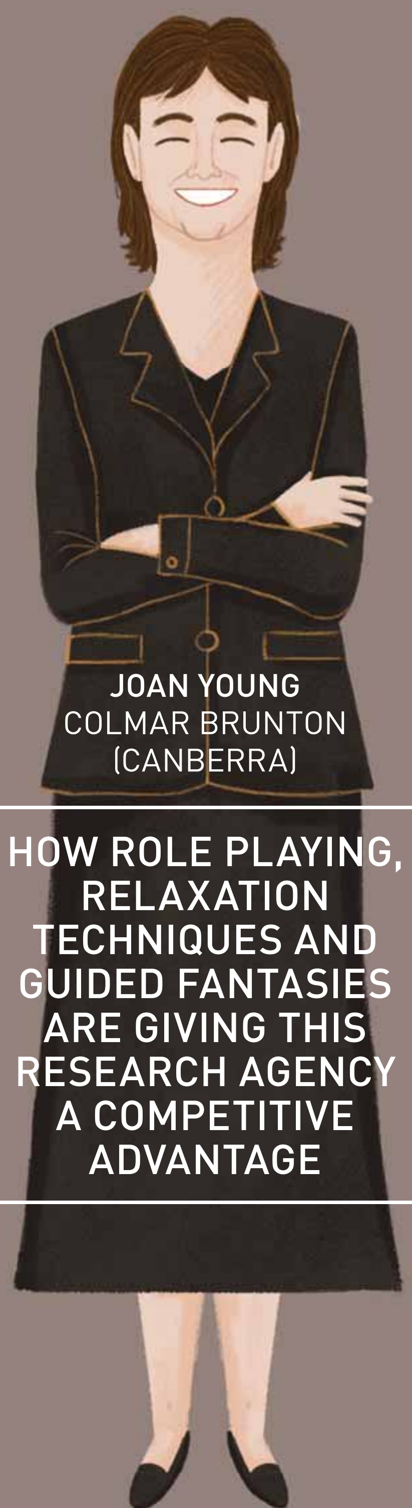
Never content with the status quo, Edge has also partnered with leading academic Dr. Detlef Reis to instil creative problem solving techniques in not just their creative departments but in every one of their 550 employees across Vietnam, Thailand, Malaysia, Indonesia and Singapore.

Another phenomenal success story of an STW Group company using creativity and innovation to shape their clients' businesses in Asia is Aleph Labs. Since joining STW in late 2012 Aleph has worked with major clients in Singapore and beyond to innovate and transform the way they and their consumers do business online. Bringing together a unique fusion of design and technology, Aleph has brought to market new products and platforms that have changed the way people in South East Asia do everyday things like watching TV or even making a bank transfer.

One more recent addition to the STW Asia stable is CPR Vision, a digital and direct marketing consultancy that continues to be recognised as the region's leading experts in helping clients fuse creativity, data and technology to unlock the value of their customers. In this fast moving space, CPR Vision is constantly innovating and moving ahead of the market.

This is only one small snapshot of how creativity is unlocking growth in Asia — for our agencies, for our clients, and for our people. As our Asia network expands we continue to search for investments, acquisitions and talent that can bring more new perspectives on creativity that we can tap into to truly make the most of the enormous opportunities that lie ahead.

S CENTURY AN



JOAN YOUNG
COLMAR BRUNTON
(CANBERRA)

HOW ROLE PLAYING, RELAXATION TECHNIQUES AND GUIDED FANTASIES ARE GIVING THIS RESEARCH AGENCY A COMPETITIVE ADVANTAGE

HEAD & HEART

Looking back over the last 25 years it is plain to see that creativity is at the heart of Colmar Brunton's success. We rely on our people's creativity to make miracles happen every day. We have learned that creativity thrives when we mix together three essential ingredients; Purpose, Passion and Freedom.

Our Passionate people are inspired by our Purpose and we give them Freedom and support to create businesses throughout the country that bring our vision to life.

Whether we work with FMCG, services or government clients, and whether those clients are in Australia or overseas our quest is to deliver to them insights that make a difference. Our people are, without exception, passionate about understanding the challenges our clients face and designing research programmes to guide better decision making. Our mission is to ensure that the decisions our clients make are deeply grounded in a true understanding of their consumers and their markets.

The increasingly competitive research industry demands high levels of creativity to design research which delivers insights that make a difference. Our clients face real-world challenges and our job is to help them to find solutions that are grounded in a fundamental understanding of their client's needs. So at Colmar Brunton we get to play.

To truly understand consumers we work to remove their concerns about social approval and the need to rationalise decision-making (because we all know that emotions are at least as important if not more important than the things we are more comfortable talking about). In our work it is critical that consumers feel relaxed and comfortable sharing their real life experiences, aspirations, deepest desires and fundamental human needs with us. So we need to create a situation where consumers feel able to drop their guard and play with us on a child-child level. The scope to be creative in this pursuit is limited only by our imagination. We regularly use role playing, drawings, relaxation techniques, collages, sculptures, projects and guided fantasies to unlock the drivers of behaviour and deliver profound insights which changes the way our clients think about their customers.

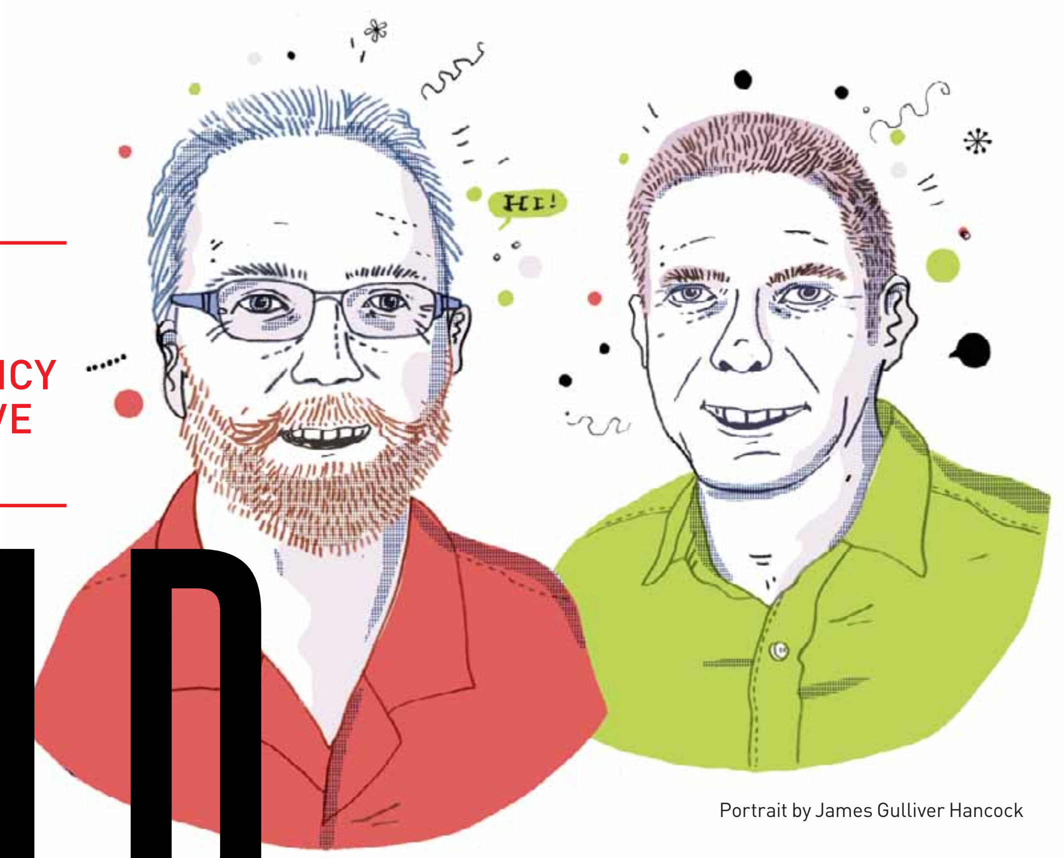
Our work is grounded on the knowledge that in the battle to win perceptual territory, a constant but often subconscious process occurs in the mind. Our minds constantly assess products, services and communications in terms of the rational and emotional benefits offered versus the cost (which can be time, energy or money). Understanding this exchange and the interplay between the conscious and unconscious drivers, the competitive landscape and where the green fields and white space lies is the quest that many of us joyfully spend our entire working lives in the pursuit of. Being able to creatively communicate with our clients and engage marketing teams with what is going on in the minds of their consumers and the implications for products, services and communications requires an even greater level of skill.

The reward for creativity is a competitive advantage that we have built our business on and that will continue to be at the core of our success.

Portrait by Mathew Wong (Aleph, STW Group)

KEN JAMES
& STEVE HARRIS
THE BRAND AGENCY
(PERTH)

A HIGHLY DIVERSIFIED ADVERTISING AGENCY WITHOUT CREATIVE BOUNDARIES



Portrait by James Gulliver Hancock

GOLD DUST

Ken James
An ad agency begins with a creative belief. It is the reason we all got into the business and why we still stay.

Creativity comes in different forms. It belongs to all of us regardless of disciplines. Creativity drives our everyday thinking. If it doesn't we should not be in the business. It rewards our clients and they judge us by our overall approach to delivering this discipline. They look at success through results but ultimately creativity is the reason they stay with us!

Great creativity makes a client proud, it becomes personal, it becomes part of the fabric that binds the relationship. When the thinking is right the client will always come back for more.

Steve Harris
Our mission is to have an impact on our client's business, and we do this by developing and implementing creative ideas that generate results.

Anyone can have a creative idea, but the skill lies in having an idea that can change the way people think, feel and act, and then having the courage, tenacity and ability to implement it.

That's the critical difference between creativity as art, and commercial creativity —we are about creativity that delivers a measurable business outcome.

This is the gold dust that we create and sell; the reason businesses come to us rather than trying to solve their problems themselves.

We're really proud that well less than half our business is what you'd call 'traditional advertising', and more than half of our 160 people are working in roles that didn't exist in the business five years ago.

The traditional defining lines are very blurred, and because we have everything under one roof, we can be much more focused on the outcome than worrying about what we have the ability to deliver ourselves.

It takes away any of the usual boundaries to our creative thinking, and strengthens our ability to deliver for our clients.

INSIGHTS WITH

Portrait by Nicola Felaco

SCOT ENNIS
& ANDY JAMIESON
SWITCHED ON MEDIA
(SYDNEY)

'DO AMAZING' IS THE FOUNDING PRINCIPLE OF THIS DATA AND RESULTS DRIVEN DIGITAL AGENCY

Switched on Media has been in operation for 7 years and during that time we've provided a constant stream of data driven innovation for both our clients and our team. With the emergence of new digital channels, device proliferation and evolving client needs, we are always leveraging the insight that data allows, to creatively better our clients business as a whole.

Ideas generated from insight
When it comes to generating high-quality campaigns for our clients, we benefit greatly from being a fully integrated digital agency. Our projects draw insight from every one of our departments — our Paid Media, Creative, Social Media, Data and SEO teams all play a role. This input informs every part of the process from initial ideas, right through to the various phases of campaign execution and measurement.

We help our clients grow
Ideation tailored to individual objectives is what sets our clients apart from their competition. Fitness First, for example, needed a concept that would help drive awareness to their brand online. To accomplish this, we collaborated with 200 influential bloggers who will participate in a range of activities to help promote the gym. A collaboration with bloggers allows Fitness First to get in front of a large, fresh audience that ordinarily wouldn't be influenced by traditional advertising.

Do Amazing
As an agency that prides itself on being thought leaders, we're always looking for creative ideas to deliver great results and serve our clients better. Our 'Do Amazing' philosophy is the foundation for all our client work. We understand that doing not just great, but amazing work will ensure a secure future for our business. While this is great for our clients, it also helps to motivate our staff to produce exceptional work. Each and every week, we hold a company meeting to openly discuss ideas about how we can go the extra mile.

Measuring our success
Today, marketing activity is always held against hard numbers. If you can't say how many sales a certain tactic delivered, then you're flying blind and selling yourself, or your client, short. Measuring properly is not always obvious or easy, and it takes rigour to develop meaningful metrics to track success. At Switched on Media, we develop custom reporting metrics and reports tailored to the creative campaigns and clients goals.

EDGE

Having only launched in December 2011, Ikon Brisbane is a young business. Starting a media agency in what are universally agreed as challenging times and in a regional market that is over supplied, yet under differentiated, takes both a healthy dose of optimism and a very clear and differentiated vision for the business. To differentiate ourselves has meant that, from the outset, we've needed to be creative in our positioning; not just with current and prospective clients, but with all touch points, including our media partners. Creativity in this context means we've thrived by being nimble, adaptable and forward thinking.

With all of our clients we think differently. We challenge industry norms and our clients' beliefs, and we do this with a very clear purpose; to truly understand a clients' business challenge, consider the typical norms in which these problems would attempt to be solved, challenge those norms and solve problems in more effective and creative ways.

Very often our solutions come as a result of demystifying a client business challenge through unlocking data using bespoke in-house created technologies and reporting solutions.

In a world focused on 'Big Data' we're no different, but our belief, and to date our success, has been derived in part through recognising the powerful outcomes that can be delivered with a convergence of data and creativity. We passionately believe in the value of looking at data differently, challenging long held beliefs that often exist without reason and developing creative solutions that are backed by facts.

Client outcomes are at the core of our thinking and, with our clients, we are enjoying success in various ways. First and foremost business challenges; some that are new and some that have been a long time in existence are being resolved. But perhaps just as importantly, creative solutions backed by facts, in our experience, has meant that we are delivering knowledge and insights to our clients that have a positive impact that reverberates well beyond the confines of the initial problem we sought to solve. Our client satisfaction scores are, not surprisingly, consistently high and our creative data-backed solutions, have allowed us to work in true partnership with our clients, developing deeper and more valuable business relationships than those of a typical media agency.

This business philosophy is only as good as the people we employ and the culture in which the team exists. We work to an internal mantra summarised as PRIDE; an acronym for People, Results, Innovation, Drive and Enjoyment. Ikon Brisbane is a small team of individuals, all driven and passionate about what we do, and who take extreme pride in delivering true value to our clients.

In our latest successful new business meeting we were told there was "nothing but clean air between ourselves and the other media agencies"; a strong indicator that our creativity and vision has truly differentiated ourselves in this marketplace. In this meeting we were described as "fresh thinking, innovative and street fighters". The latter wasn't in our initial business plan, but we're happy with it.

Portrait by Daniel Malecki

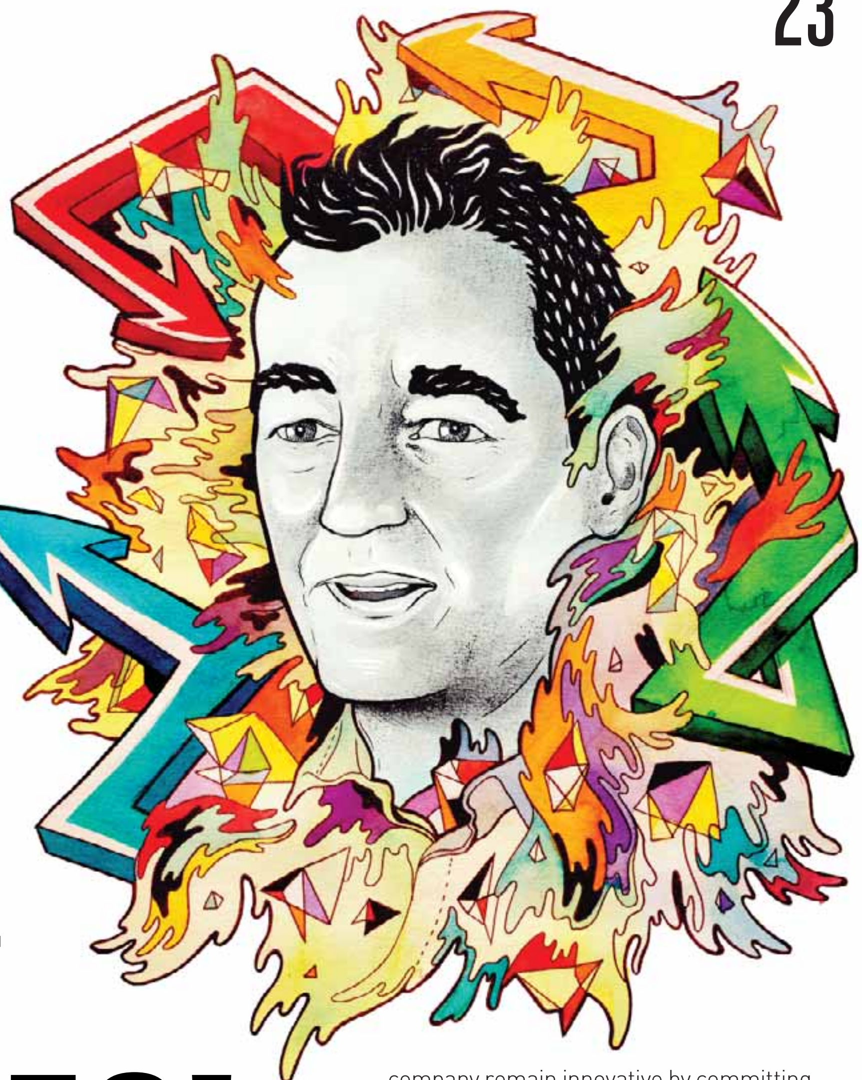
LESLEY EDWARDS
IKON (BRISBANE)

A DIFFERENTIATED MEDIA AGENCY RECENTLY DESCRIBED AS FRESH THINKING, INNOVATIVE, STREET FIGHTERS

ALAN HIGGINS
MARKITFORCE (SYDNEY)

A MARKETING LOGISTICS BUSINESS THAT'S THRIVING IN A HIGHLY CREATIVE ENVIRONMENT

Portrait by Sofia Varano
(The Brand Agency, STW Group)



THE HOUSE OF YES!

I've always considered myself to be a creative person, however the challenge is: How do you apply this creative tendency as a CEO in a very logical and process driven business? Fortunately, I have a team at Markitforce who are willing to be playful and have a lot of fun doing what we do.

Our job titles demonstrate how our company applies creativity to stand out from the crowd. Examples such as 'Chief Engagement Officer', 'Director of First Impressions', 'Action Man', 'The Gatekeeper', 'Secret Service Agent' and 'Guardian of Client Contentment' are just a few.

Every Markitforce employee participates in a daily huddle at creative times such as 10.07. The huddle encourages strong and open communication within the team. They keep people accountable, resulting in deadlines being met and improved customer satisfaction.

We constantly strive for creative ways to celebrate events and anniversaries. Every employee receives personalised greeting cards on special dates and we also recognise and thank clients for their years of support on their anniversary with the business, with cakes, lolly boxes or balloons.

Markitforce has a very creative approach to how we welcome special guests and visitors. Whenever an employee sees someone wearing an orange vest, that's an indication that the person is not a current client but a prospective client. It's a cue for staff to help the person feel welcome at Markitforce. It's an approach that has become known as Secret Service. If an existing client is visiting Markitforce, they are usually issued with a yellow vest. Our 'Director of First Impressions' makes sure that a welcome sign is awaiting visitors in reception on arrival and that all the teams know who is visiting. It's the duty of our employees to acknowledge clients or simply say hello. It makes both clients and staff feel engaged and connected and the clients can't help but feel special.

For many years, our tagline was 'The House of YES!' This creative approach to positioning and mindset was stated as 'The answer is yes, now what was the question?' resulting in an ability for us to always meet our customer's expectations. Having the right people employed that can rise to the challenge allows us to commit to our customer's needs. This helps our company remain innovative by committing to new ideas and encourages growth.

Each quarter we run a theme for all employees to embrace a current business initiative or change. A creative launch event is held which often involves staff dressing up in wigs and costumes, participating in games and kicking the quarter off with a huge amount of energy. The launch and subsequent quarterly initiative allows the entire business to maintain focus on a goal or set of outcomes.

As a specialist marketing logistics operation, we are at the very un-sexy end of the marketing and communications spectrum. We spend our days planning, receiving, counting, picking, packing and delivering truckloads of POS and promotional items on behalf of our clients. Since joining STW Group in 2012, our business has continued to evolve. We are surrounded by a host of creative people and businesses, and our business is thriving in this creative environment. By applying a creative approach to how we grow our business and solve the challenges thrown at us by our clients, we will continue to prosper as an integral part of STW's growth into Shopper Marketing.

NEIL LAWRENCE
LAWRENCE CREATIVE
(SYDNEY)

IN A RESULTS DRIVEN BUSINESS THE EFFICACY OF OUR CREATIVITY IS OF THE UPMOST IMPORTANCE

In a business context, creativity is more about problem solving than 'artistry'.

This isn't to diminish the role of pure artistry at all. It is vital to our culture and sense of ourselves.

There is certainly artistry—and we avail ourselves of it—with the contribution of the brilliant film directors, actors, photographers and musicians we collaborate with.

But it and they must always remain our servant, not our master.

Before we enlist their help the way we apply creativity is a largely and possibly a surprisingly, a cerebral exercise.

There are two definitions of creativity that shed light on this approach.

The first is: 'A new solution to an old problem'.

While the details are usually different, the fundamental problems that face business are usually the same.

How do I make people prefer my brand, product, service, political candidate or company over my competitors?

So the same old problems—but the same old solution would be ineffective because the audience will have seen it before and probably discount it.

So we need original thinking. Originality is the essence of creativity in any context.

The second definition is: 'Taking in all relevant elements and turning them into something new and greater than the sum of their parts'—a kind of cerebral procreation.

It is a process of deep thinking and understanding combined with moments of clarity and inspiration.

Again in the context of business, this is fundamentally a problem solving exercise. We use research—the right kind of research and researchers, methodically and extensively.

It is this creative problem solving and the resultant honed strategies that our clients come to us for. The artistry is the cherry on the top.

In business everything is measured, including the efficacy of our creative solutions.

We are indeed a results-driven business.

Over the long term it is the efficacy of our creativity that drives our business and keeps our clients happy—and keeps them coming back.

Portrait by Van Data (thedrawingarm.com.au)

ART & SCIENCE

Portrait by Lego App and Designworks (STW Group)

MARKS BROTHERS
MAVERICK (SYDNEY)

HOW A BALANCE BETWEEN SCIENCE AND ART, LOGIC AND IMAGINATION, IS A WINNING FORMULA FOR THIS BRAND ACTIVATION BUSINESS

When you apply for a job at Maverick, you're in for a bit of a surprise.

At the second or third interview you're handed an unopened Lego kit. You're told to build it — following the instructions precisely.

In half an hour the interviewer reappears and tells you to break the toy down to its original state.

Fifteen minutes later you're directed to reassemble it. This time without instructions.

Then, one last task. Take the kit home and build something different. Anything you like. Just remember that tomorrow you'll be back here pitching your creation. You'll need to convince us it's better than the original.

It's a ripper of an exercise. We can see how candidates handle a curve ball. How well they follow instructions, think spatially, stay cool, plan for contingencies (disassembling the toy in such a way as to allow for an easy re-assembling). It tests memory, problem solving and pitching acumen.

What's more, it gives us a glimpse into a quality that we prize so much at Maverick: Da Vinci thinking.

That's Arte/Scienza. A balance between science and art, logic and imagination.

It was no accident that Da Vinci was both an expert in anatomy, dissecting and chronicling dozens of human bodies, while being one of the great Renaissance painters of the glorious human form. In his Treatise on Painting he declares:

"Those who become enamoured of the art, without having previously applied the diligent study of the scientific part of it, may be compared to mariners who put to sea in a ship with-out rudder or compass and therefore cannot be certain of arriving at the wished for port."

Of course, Leonardo also showed the converse to be true. He was able to leapfrog 15th century thinking in the fields of engineering, hydrodynamics, geometry and astronomy by first understanding the science that was, and then making the imaginative leap to that which could be.

So how are Leo and Lego relevant to Maverick?

Maverick excels in creating real-world experiences. Our events and installations, roadshows and activations, are subject to real-world constraints like topography, climate, regulation, engineering, logistics, technology and safety. So it's natural that the Arte will be informed by the Scienza; and that the Scienza will often need an imaginative leap to help us realise the Arte.

Moreover, this style of thinking comes to the fore when tackling a client's business challenge. Creativity divorced from context is pointless. Our Da Vincis examine a brief from all angles. They dissect it to truly comprehend it. They often reassemble it into something different.

We do the same with our concepts. We build them, break them down. Then build something better. We do this until we fully understand, and believe in, the ideas we intend to deliver.

It means we're confident in our creativity because we're confident in the science.

It's why our clients always notice the passion we radiate when we present our ideas. And it's why we keep winning and growing.

And, yes, you get to keep the Lego.

THE BOARD OF DIRECTORS

Robert Mactier

BEC MAICD
Independent Non-executive Chairman

Mr Mactier was appointed as a Director of STW in December 2006 and Chairman with effect from 1 July 2008.

Mr Mactier is a consultant to the Investment Banking division of UBS AG in Australia, a role he has held since June 2007.

He has extensive investment banking experience in Australia, having previously worked for Citigroup, E.L. & C. Baillieu and Ord Minnett Securities between 1990 and 2006.

During this time, he was primarily focused on the media and entertainment and private equity sectors and initial public offerings generally.

Prior to these roles, he worked with KPMG from 1986 to 1990 during which time he qualified as a Chartered Accountant.

Mr Mactier is also a Non-executive Director of Melco Crown Entertainment Limited, where he is a member of their Compensation Committee and Nominating and Corporate Governance Committee.

Rob is a member of the Audit and Risk Committee.

Michael Connaghan

BA
Chief Executive Officer and Executive Director

Mr Connaghan was appointed as a Director of STW in July 2008.

After graduating from Charles Sturt University in 1987, Mr Connaghan commenced his advertising career winning a coveted Australian Federation and Advertising Graduate Scholarship.

After spending his first four years as a copywriter at Clemenger BBDO Sydney, Mr Connaghan travelled the world.

He joined John Singleton Advertising in 1993 to guide the Telecom Australia account through the country's telecommunication deregulation.

In 2001, Mr Connaghan moved to STW as Managing Director of Diversified Companies.

He represented STW's interests and oversaw acquisitions, expansion and growth of the Diversified Companies.

Mr Connaghan joined STW Group company JWT in January 2004 as Managing Director of Australia and New Zealand, until his move back to STW and his appointment as Chief Executive Officer in January 2006.

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

Paul Richardson

BA ACA MCT
Non-executive Director

Mr Richardson was appointed as a Director of STW in 1999.

Mr Richardson is currently a Director of WPP plc ("WPP"), a Non-executive Director of Chime Communications plc.

Mr Richardson joined WPP in 1992 as Director of Treasury and has been Group Finance Director since 1996 (responsible for the group's worldwide finance function).

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

Portraits by Janice Law (The Brand Agency, STW Group)

Ian Tsicalas

BCOM BA
Independent Non-executive Director

Mr Tsicalas was appointed as a Director of STW in November 2007.

Mr Tsicalas has extensive business operational experience, having managed both public and private companies throughout his career. Ian is a former Managing Director of Howard Smith Limited, Commander Communications Limited and Australian Discount Retail Pty Limited and Chief Executive Officer of The Warehouse Group Australia.

Mr Tsicalas is an Independent Non-executive Chairman of Oceania Capital Partners Limited and a former Non-executive Director of Warehouse Group Limited and iSOFT Group Limited.

Ian is Chairman of the Remuneration and Nominations Committee and a member of the Audit and Risk Committee.

Graham Cubbin

BECON (HONS)
Independent Non-excecutive Director

Mr Cubbin was appointed as a Director of STW in May 2008.

Mr Cubbin was a senior executive with Consolidated Press Holdings ("CPH") from 1990 until September 2005, including holding the position of Chief Financial Officer for 13 years.

Prior to joining CPH, Mr Cubbin held senior finance positions with a number of major financial companies including Capita Finance Group and Ford Motor Company.

Graham has over 20 years' experience as a director and audit committee member of public companies in Australia and the US.

He is a Director of Challenger Limited, Bell Financial Group Limited, White Energy Company Limited and McPherson's Limited.

Graham is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Peter Cullinane

MBA MMGT
Executive Director

Mr Cullinane was appointed as a Director of STW in June 2010.

A respected force in global advertising, Mr Cullinane has led the development of some of New Zealand's most iconic brands, applying strategic and creative thinking on a local and international scale.

His New Zealand success led him to become Chief Operating Officer, Saatchi & Saatchi Worldwide.

Since returning to New Zealand and establishing Assignment Group New Zealand Limited, Mr Cullinane has specialised in providing strategic advice to a wide range of New Zealand and international clients. Mr Cullinane is a Director of Assignment Group New Zealand Limited, and its founding shareholder and Director of Lewis Road Creamery Ltd.

He is a Non-executive Director of SKYCITY Entertainment Group Limited and Chair of its CSR sub-committee and a Non-executive Director of APN News & Media Limited.

He holds Masters degrees in Business Administration and Management and is an alumnus of Auckland University and Harvard Business School.

Kim Anderson

BA GRAD DIP INF SC
Independent Non-excecutive Director

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

Ms Anderson is a Director of carsales.com Limited, Chief Executive of The Reading Room (thereadingroom.com), which is a curated community site for readers, a former Fellow of the Sydney University Senate and a former Director of The Sax Institute.

Ms Anderson has more than 25 years' experience in various advertising and media executive positions within companies such as Southern Star Entertainment, Publishing and Broadcasting Limited and ninemsn.

Kim is a member of the Remuneration and Nominations Committee.

FINANCIALS

FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of STW Communications Group Limited ("Company" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 31 December 2013 (collectively the "STW Group", the "Group" or the "Consolidated Entity").

DIRECTORS

The following persons were Directors of the Company during the whole of the year and up to the date of this report (unless otherwise indicated):
Robert Mactier (Chairman)
Michael Connaghan (Chief Executive Officer)
Paul Richardson
Ian Tsicalas
Graham Cubbin
Peter Cullinane
Kim Anderson.

Particulars of Directors' qualifications, experience and directorships in other listed entities are set out on pages 28 and 29 in this Annual Report.

PRINCIPAL ACTIVITIES

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

FINANCIAL OVERVIEW

The statutory profit attributable to members of STW Communications Group Limited for the 2013 year was $49.5 million, up 12.5% (2012: $44.0 million).

Diluted earnings per share ("EPS") of 12.34 cents were up 2.6% (2012:12.03 cents).

The performance of the Group was in line with the forecast set at the beginning of the year of profit growth of 15% and mid-single digit EPS growth. The Group's resilient and consistent growth performance highlights the benefits of the diversification and scale that underpin the Group's business model.

The Group has achieved growth while the industry is experiencing its most disruptive period in its relatively short history. The marketing mix has seen significant change, and where client revenues are coming from and going to, is fundamentally different than it was only a short period ago. The Group's business model allows it to deal with that change and prevail.

The Group has largely held margins while being able to invest significant funds into training, incubating new businesses and developing intellectual property.

REVIEW OF OPERATIONS

Three pillared strategic growth focus

The Group's three pillared strategic growth focus remains firmly on track; we continue to drive growth out of our leadership positions in Australia and New Zealand; continue to 'future proof' our business by growing and leading in the evolving areas of our services, including digital and data; and are making strong progress with the selective and careful export of our business into new markets in Asia and beyond.

Performance review

The Group has reported 2.4% organic revenue growth for 2013, a very pleasing result in light of the challenging economic environment. With greater focus on research and field marketing, which generate lower margins than the Group average, the Group's EBITDA margins have largely held flat for 2013.

Once funding costs for new acquisitions are taken into account along with savings in depreciation, the Group has delivered organic NPAT growth of 4.9% for the year. All these factors indicate that the Group is well positioned in the market to achieve another solid performance in 2014 despite continuing macroeconomic pressures.

Acquisitions

As clients diversify marketing and sales spend into a wider range of channels and disciplines, the Group needs to continually push out our services to deliver to their fast-changing needs. Our investments in 2013, including an outstanding new partnership with leading insights business Colmar Brunton and our investment in data consulting specialist Beyond Analysis and in digital specialists Cru Digital, are great examples of the Group's capabilities going deeper and broader. We will continue on this path to ensure the Group remains relevant and leading edge, irrespective of how quickly client needs change.

	2013 $million	2012 $million	Change
Total revenue (including share of net profits from associates excluding interest revenue)	411.9	362.5	**13.6%**
Underlying earnings before interest, tax, depreciation and amortisation	95.5	89.5	**6.7%**
Net profit after tax before elimination of non-controlling interests	61.7	54.5	
Non-controlling interests	(12.2)	(10.5)	
Statutory profit	**49.5**	**44.0**	12.5%
Cash	43.3	43.6	
Debt	172.4	136.2	
Net debt	129.1	92.6	
	Cents per share	**Cents per share**	
Diluted EPS – statutory profit	12.34	12.03	

Cash and gross debt

As at 31 December 2013, the Group's cash and gross debt balances were $43.3 million (2012: $43.6 million) and $172.4 million (2012: $136.2 million), respectively.

Debt facilities

As at 31 December 2013, the Company has access to debt facilities totalling $235 million, of which $172 million is drawn. These debt facilities expire in January 2015 ($75 million), July 2015 ($25 million), September 2015 ($25 million), August 2016 ($70 million) and August 2018 ($40 million).

Cash flow

The Company's operating cash flow result for the year was down when compared to that of the prior year. Operating cash flow for the year was $35.4 million (2012: $52.6 million). The Group's cash flows were impacted by the timing of media payments as well as higher working capital balances as at 31 December 2013.

For the 2013 year, 69% of EBITDA was converted to operating cash flow (2012: 92%). Average EBITDA cash conversion over the past 24 months has been 80%. This is below the targeted cash conversion of between 85% and 95% of EBITDA.

2014 OUTLOOK

The Company starts the year in great shape and with momentum. The Company is forecasting mid-single digit EPS growth for the full year ending 31 December 2014.

DIVIDENDS

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

	Cents per share	$million	Franking
Dividends paid in the year on ordinary shares			
Final 2012	5.0	20.0	100%
Interim 2013	3.3	13.3	100%

In addition to the above dividends, since the end of the financial year, the Directors have recommended the payment of a fully franked ordinary dividend of $21.4 million (5.3 cents per fully paid ordinary share) payable on 16 April 2014.

The full year dividend represents a payout ratio of 70% of underlying profit. The increase in absolute dividend and dividend payout ratio is in line with the Company's target payout ratio of between 60% and 70% of underlying profit.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of the Group's principal activities during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' meetings		Audit and Risk Committee meetings		Remuneration and Nominations Committee meetings	
	Attended	Held*	Attended	Held*	Attended	Held*
Robert Mactier	9	9	4	4	–	–
Paul Richardson	7	9	–	–	–	–
Ian Tsicalas	9	9	4	4	4	4
Graham Cubbin	9	9	4	4	4	4
Michael Connaghan	9	9	–	–	–	–
Peter Cullinane	8	9	–	–	–	–
Kim Anderson	9	9	–	–	4	4

* Reflects the number of meetings the Director was eligible to attend during the time the Director held office during the 2013 year.

DIRECTORS' REPORT (CONTINUED)

	Balance as at 1 Jan 13	Acquisitions	Disposals	Balance as at 31 Dec 13	Post year-end acquisitions*	Post year-end disposals	Post year-end balance
Ordinary shares							
Robert Mactier	577,964	–	–	**577,964**	–	–	**577,964**
Paul Richardson	–	–	–	**–**	–	–	**–**
Ian Tsicalas	65,463	–	–	**65,463**	–	–	**65,463**
Graham Cubbin	100,000	–	–	**100,000**	–	–	**100,000**
Michael Connaghan	54,333	942,750	(997,083)	**–**	288,326	–	**288,326**
Peter Cullinane	34,500	–	–	**34,500**	–	–	**34,500**
Kim Anderson	–	–	–	**–**	–	–	**–**
Total	**832,260**	**942,750**	**(997,083)**	**777,927**	**288,326**	**–**	**1,066,253**

* Post year-end acquisitions for Mr Connaghan relates to vesting of Executive Share Plan shares and release of shares held on trust relating to the Short Term Incentive Plan.

COMMITTEE MEMBERSHIP

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

AUDIT AND RISK COMMITTEE

Graham Cubbin (Chair)
Robert Mactier
Ian Tsicalas

REMUNERATION AND NOMINATIONS COMMITTEE

Ian Tsicalas (Chair)
Graham Cubbin
Kim Anderson.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). Accordingly, this information has not been disclosed in this report. The omitted information relates to the Consolidated Entity's internal budgets, forecasts and estimates.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to environmental regulation under Commonwealth and State legislation. These regulations do not have a significant impact on the Consolidated Entity's operations. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the Consolidated Entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Directors of the Company and such other officers as the Directors determine, are entitled to receive the benefit of an indemnity contained in the Constitution of the Company to the extent allowed by the Corporations Act 2001, including against liabilities incurred by them in their respective capacities in successfully defending proceedings against them.

During or since the end of the financial year, the Company has paid premiums under contracts insuring the Directors and officers of the Company and its controlled entities against liability incurred in that capacity to the extent allowed by the Corporations Act 2001. The officers to which these insurance contracts relate are any past, present or future Director, secretary, executive officer or employee of the Group.

The terms of the policies prohibit disclosure of the details of the liability and the premium paid.

Each Director has entered into a Deed of Access, Disclosure, Insurance and Indemnity which provides for indemnity by the Company against liability as a Director to the extent allowed by the law.

There have been no indemnities given or insurance premiums paid during or since the end of the financial year for any current or former auditor.

PERFORMANCE SHARES

As at the date of this report, 3,520,026 performance shares have been granted to participants in the Executive Share Plan, and 2,885,208 of those performance shares have been issued and are currently held in the STW Executive Share Plan Trust.

AUDITOR INDEPENDENCE

The Directors have received a declaration of independence from SC Gustafson on behalf of Deloitte Touche Tohmatsu, the auditor of STW Communications Group Limited, as reproduced on page 36.

NO OFFICERS ARE FORMER AUDITORS

No officer of the Consolidated Entity has been a partner of an audit firm or a director of an audit company that was the auditor of the Company and the Consolidated Entity for the financial year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of STW Communications Group Limited support and have adhered to the principles of corporate governance (as detailed in the Corporate Governance Statement which accompanies this report).

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The Board has established a risk management policy for the oversight and management of risk and has delegated responsibility for reviewing risk, compliance and internal control to the Audit and Risk Committee. Management is ultimately responsible to the Board for the system of internal control and risk management within the business units. Details of risk mechanisms in place are detailed in the Corporate Governance Statement, which accompanies this report.

NON-AUDIT SERVICES

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

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

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

— all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
— none of the services undermines the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, included reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

ROUNDING

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

REMUNERATION REPORT

The Remuneration Report accompanies on page 37 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors:

Robert Mactier
Chairman

Michael Connaghan
Chief Executive Officer

25 March 2014

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
STW Communications Group Limited
Ogilvy House
72 Christie Street
ST LEONARDS NSW 2065

25 March 2014

Dear Directors

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 audit of the financial statements of STW Communications Group Limited for the financial year ended 31 December 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 25 March 2014

REMUNERATION REPORT

1. REMUNERATION REPORT

This Remuneration Report for the year ended 31 December 2013 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 ("Act") and its regulations. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration strategies for key management personnel ("KMP") who are defined as those persons with authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly. KMP include Non-executive Directors and executive Directors of the Company.

For the purpose of this Remuneration Report, the term 'executive' includes the Chief Executive Officer and other executives of the Company.

2. REMUNERATION GOVERNANCE

Remuneration and Nominations Committee

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

— the over-arching executive remuneration framework;
— operation of the incentive plans which apply to the executives, including the key performance indicators and performance hurdles;
— remuneration levels of the Chief Executive Officer and other KMP; and
— Non-executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Group.

The Corporate Governance Statement provides further information on the role of this Committee.

Use of remuneration consultants

To ensure that the Remuneration and Nomination Committee is fully informed on current market practices, trends in remuneration, regulatory developments and shareholder views, the Remuneration and Nominations

Committee approved the engagement of Guerdon Associates during the year. Guerdon Associates provided remuneration recommendations regarding incentive plan design along with executive remuneration benchmarking.

Both Guerdon Associates and the Remuneration and Nominations Committee are satisfied the recommendations received are free from undue influence from the KMP to whom the remuneration recommendations apply. The following arrangements were made to meet this requirement:

— Guerdon Associates was engaged by and reported to the Chairman of the Remuneration and Nominations Committee. The agreement for the provision of remuneration consulting services was executed by the Chairman of the Remuneration and Nominations Committee under delegated authority on behalf of the Board; and
— the report containing the remuneration recommendations was provided by Guerdon Associates directly to the Chairman of the Remuneration and Nominations Committee.

The recommendations made by Guerdon Associates to the Remuneration and Nominations Committee were as an input into decision-making only. The Committee considered these along with other factors when making its remuneration decisions which are reflected in the 2013 Remuneration Report values.

The fees paid to Guerdon Associates for the remuneration recommendations were $38,825.

(i) Non-executive Directors	Position
Robert Mactier	Chairman (non-executive)
Paul Richardson	Non-executive Director
Ian Tsicalas	Non-executive Director
Graham Cubbin	Non-executive Director
Kim Anderson	Non-executive Director

(ii) Executive Director	Position
Michael Connaghan	Chief Executive Officer
Peter Cullinane	Executive Director

(iii) Other executive KMP	Position
Chris Savage	Chief Operating Officer
Lukas Aviani	Chief Financial Officer

There were no changes to the KMP since the reporting date.

REMUNERATION REPORT (CONTINUED)

3. REMUNERATION STRATEGY

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

REMUNERATION STRATEGY

GUIDING PRINCIPLES

MARKET COMPETITIVE	PERFORMANCE BASED	ALIGNED WITH SHAREHOLDERS' INTERESTS
— Designed to attract and retain employees with required capabilities and experience. — Independent review of remuneration benchmarked data for KMP by STW Group's remuneration advisor Guerdon Associates. — A balance between fixed, short-term and long-term remuneration appropriate to individual roles.	— Designed to motivate employees and executives to pursue STW Group's long-term growth and success. — Provide appropriate reward for superior individual performance and STW Group performance, aligning performance and reward outcomes.	— Long-term incentive vesting subject to satisfying shareholder return performance hurdle as well as time-based employment conditions. — Deferred remuneration of the CEO subject to forfeiture if time-based employment conditions are not met. — Remuneration processes and governance to ensure that remuneration arrangements do not lead to excessive risk taking.

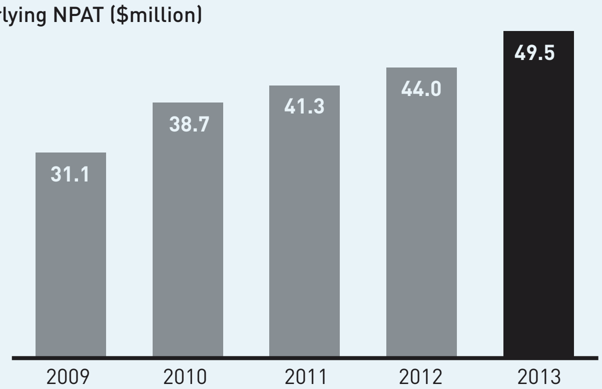
4. GROUP PERFORMANCE

The financial performance of the Company in key shareholder value measures over the past five years is shown below:

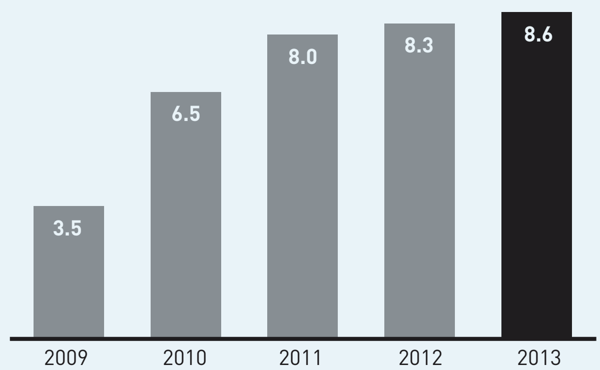
	2013	2012	2011	2010	2009
* Underlying NPAT ($million)	49.5	44.0	41.3	38.7	31.1
* Underlying earnings per share (cents per share)	12.3	12.0	11.5	10.8	11.1
Dividends per share (cents per share)	8.6	8.3	8.0	6.5	3.5
Share price (year end)	$1.50	$1.11	$0.84	$1.06	$0.74
** Total shareholder return ("TSR") (% per annum)	42.9	42.0	(13.2)	52.0	7.6

* Underlying NPAT and underlying earnings per share show the Group's performance excluding one-off gains and losses.
** TSR comprises share price appreciation and dividends, gross of franking credits, reinvested in the shares.

Underlying NPAT ($million)



Dividends per share (cents per share)



5. NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors.

Directors' fee pool

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

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure are reviewed periodically.

Director fee framework

The Board periodically reviews the Directors' fee framework. Under the current fee framework, Non-executive Directors are remunerated by way of a base fee, with additional fees paid to the Chairmen and members of Committees.

The fees detailed below are inclusive of superannuation contributions required by Superannuation Guarantee legislation.

With effect from 1 January 2013, Board members received an increase in remuneration which is outlined in the table below:

— **Chairman fee** has increased by $5,000 to $190,000 per annum. The Chairman's fee has not been reviewed since 1 July 2008.
— **Base fees** payable to Board members has increased by $5,000 to $90,000 per annum. This base fee has not been reviewed since 1 July 2010.
— **Committee Chairman** fees remain unchanged at $15,000 per annum.
— **Committee members** now receive a Committee fee of $5,000 per annum, acknowledging the additional workload and demands of Committee membership.

The change in remuneration was as a result of the finding of the benchmarking which reviewed Board remuneration relative to that of peer companies.

The annualised fees paid to the Board post the 1 January 2013 remuneration increase remain comfortably below the $750,000 pool approved by shareholders.

WPP plc aligned Director

It is noted that WPP plc aligned Director, Paul Richardson, is not remunerated as a Board member of the Company and does not receive any other financial or non-financial benefit as a member of the Company's Board. The Board is pleased to have access to the specialist skills and knowledge of Mr Richardson. It is the Board's view that the non-payment to Mr Richardson does not detract or diminish from the discharging of his responsibilities and obligations to all the shareholders of the Company.

Termination payments

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

Equity-based remuneration

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

DIRECTORS' FEE FRAMEWORK

Board/Committee	Role	31 Dec 2013	31 Dec 2012
Board	Chairman	$190,000	$185,000
	Member	$90,000	$85,000
Audit and Risk Committee	Chairman	$15,000	$15,000
	Member	$5,000	–
Remuneration and Nominations Committee	Chairman	$15,000	$15,000
	Member	$5,000	–

REMUNERATION REPORT (CONTINUED)

6. EXECUTIVE REMUNERATION

Remuneration framework

The executive pay and reward framework has three components:

(i) fixed remuneration and benefits;

(ii) short-term incentives; and

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

The Company aims to provide a level of remuneration which is appropriate to the executive's position and is competitive to the market. The Company seeks to reward executives with a mix of remuneration proportionate with their position and responsibilities within the Group.

Remuneration levels are considered annually through a remuneration review that considers market data and the performance of the Company and the individual. During the year, the Committee received independent advice from Guerdon Associates, benchmarking executives' remuneration against that of companies of comparable market capitalisation, revenue size and industry. The final remuneration is determined by the Remuneration and Nominations Committee using the independent benchmarking data and taking into account the performance of the individual executive.

(i) Fixed remuneration and benefits

Executives receive fixed remuneration and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

There is no guaranteed base pay increases included in any executives' contracts.

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

(ii) Short-term incentives

Short term incentives ("STI") are paid to executives in the form of an annual cash payment on the achievement of performance targets.

The payment of the STI is dependent upon the executive meeting financial and non-financial objectives set at the beginning of each year. These targets were set by the Remuneration and Nominations Committee at the beginning of the calendar year and are reviewed annually.

At the beginning of each year, the Remuneration and Nominations Committee determines the maximum entitlements payable under the STI plan. Each executive has a target bonus opportunity depending on the accountabilities of the role.

An executive will receive 75% of the maximum annual entitlement payable under the STI plan based on achieving a NPAT target. The NPAT target is based on the Company's budget. The executive will be rewarded for performance between 100% and 105% of the NPAT target (at which point the maximum entitlement is received) as outlined below:

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

An executive will receive 25% of the maximum annual entitlement payable under the STI plan based on meeting non-financial, personal objectives. The non-financial objectives are specific to each executive and are agreed between the executive and their manager. Non-financial measures include achievement of strategic goals, operational efficiencies, people management and execution of key initiatives. These measures are designed to ensure robust, long-term value is built.

Performance category	Metrics	Weighting
Financial	Group's profit after tax	75%
Non-financial	Specific to each executive and include measures to gauge achievement of strategic goals, operational efficiencies, people management and execution of key initiatives.	25%

STI payment

The Remuneration and Nominations Committee is responsible for determining the STI to be paid based on an assessment of whether the performance targets have been achieved. To assist in this assessment, the Committee receives detailed reports from the CEO, Michael Connaghan, who conducts performance reviews with his direct reports each year.

For executives, excluding the CEO, the STI achieved is paid in cash in February each year, after the Company's financial results for the previous year have been finalised.

For the CEO, 50% of the STI achieved will be paid in cash in February each year. The remaining 50% will be deferred and provided in the form of ordinary shares in STW Communications Group Limited. The shares allocated for the deferred component are valued at face value based on the volume weighted average market price over the 10 days immediately prior to the release of the Company's financial results for the previous year.

The shares will be held on trust for two years and Mr Connaghan receives dividends on the shares during this period. At the end of the two year period, the ownership of the shares is transferred to Mr Connaghan. If Mr Connaghan resigns or his employment is terminated for cause prior to the end of the two year period, he will forfeit the shares.

The table below shows the STI opportunity levels, together with the actual payout or forfeited proportions for 2012 and 2013.

Following the end of the 2012 year, the Board determined that Mr Savage and Mr Aviani were entitled to 50% of the maximum annual entitlement payable under the STI plan. They achieved 33% of the financial component of the STI and 100% relating to the non-financial component.

Following the end of the 2012 year, the Board determined that Mr Connaghan was entitled to 45% of the maximum annual entitlement payable under the STI plan. Mr Connaghan achieved 33% of the financial component of the STI plan and 80% relating to the non-financial component.

Following the end of the 2013 year, the Board determined that Mr Savage and Mr Aviani were entitled to 41.25% of the maximum annual entitlement payable under the STI plan. They achieved 25% of the financial component of the STI plan and 90% relating to the non-financial component.

Following the end of the 2013 year, the Board determined that Mr Connaghan was entitled to 41.25% of the maximum annual entitlement payable under the STI plan. Mr Connaghan achieved 25% of the financial component of the STI plan and 90% relating to the non-financial component.

(iii) Long-term incentives – executive share plan

Long-term incentives are provided by the Company through the executive share plan that is intended to support the achievement of the Group's business objectives by linking remuneration to improvements in the financial performance and value of the Company and aligning the interests of participating executives with those of shareholders. It aims to reward executives for creating growth in shareholder value.

Details of the long-term incentives are outlined in Section 10 – Share-based compensation.

SHORT TERM INCENTIVES

KMP (excluding Non-executive Directors)	Year	Maximum STI ($)	Maximum STI as % of fixed remuneration	Actual STI as a % of maximum STI [(1)]	% of maximum STI payment forfeited [(2)]	Actual STI payment ($) [(3)]
Michael Connaghan	2013	500,000	59%	41.25%	58.75%	206,250
(Chief Executive Officer)	2012	500,000	59%	45%	55%	225,000
Chris Savage	2013	175,000	25%	41.25%	58.75%	72,188
(Chief Operating Officer)	2012	150,000	23%	50%	50%	75,000
Lukas Aviani	2013	132,500	33%	41.25%	58.75%	54,656
(Chief Financial Officer)	2012	125,000	33%	50%	50%	62,500

(1) Michael Connaghan receives half of his achieved STI in cash and the remaining payment is received in shares and deferred for a period of two years.
(2) Where the actual STI payment is less than the maximum potential, the difference is forfeited. It does not become payable in subsequent years. The minimum STI is nil if no performance conditions are met.
(3) The 2012 STI constitutes a cash bonus granted for performance during the year ended 31 December 2012 and paid in February 2013. The 2013 STI constitutes a cash bonus granted for performance during the year ended 31 December 2013 and paid in February 2014.

REMUNERATION REPORT (CONTINUED)

7. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The Company's CEO is Michael Connaghan.

The key terms of Mr Connaghan's executive service agreement with the Company sets out the entitlements of his remuneration including:

(i) fixed remuneration and benefits;

(ii) short-term incentives; and

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

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

2012 and 2013 years

(i) Fixed remuneration and benefits

Mr Connaghan's fixed remuneration for the 2012 and 2013 years was $850,000 per annum. This fixed remuneration represents total fixed cost to the Company including superannuation and other benefits as set out below.

(ii) Short-term incentives

For the 2012 and 2013 years, Mr Connaghan had the opportunity to earn an annual STI of $500,000, subject to the achievement of performance targets.

Subject to the satisfaction of the performance conditions, 50% of the entitlement under the STI plan will be paid in cash and 50% will be deferred and paid in shares in STW Communications Group Limited. The shares will be held on trust for two years and Mr Connaghan receives dividends on the shares during this period. At the end of the two year period, the ownership of the shares is transferred to Mr Connaghan. If Mr Connaghan resigns or his employment is terminated for cause prior to the end of the two year period, he will forfeit the shares.

Further details relating to STI plan are outlined in Section 6.

Following the end of the 2012 year, the Board determined that Mr Connaghan was entitled to 45% of the maximum annual entitlement payable under the STI plan. Mr Connaghan achieved 33% of the financial component of the STI plan and 80% relating to the non-financial component.

Following the end of the 2013 year, the Board determined that Mr Connaghan was entitled to 41.25% of the maximum annual entitlement payable under the STI plan. Mr Connaghan achieved 25% of the financial component of the STI plan and 90% relating to the non-financial component.

(iii) Long-term incentives – executive share plan

For the 2012 year, Mr Connaghan was granted 356,250 shares in the Company's executive share plan that will vest subject to the achievement of performance conditions.

For the 2013 year, Mr Connaghan is to be granted 412,000 shares in the Company's executive share plan that will vest subject to the achievement of performance conditions.

These shares vest on the terms set out in Section 10 – Share-based compensation.

2014 year

The Board set new remuneration arrangements that will apply to Mr Connaghan for the 2014 year:

(i) Fixed remuneration and benefits

Mr Connaghan's fixed remuneration of $850,000 per year will remain unchanged. He will also be eligible for participation in the Company's STI plan and executive share plan.

(ii) Short-term incentives

Subject to shareholder approval, Mr Connaghan will be eligible for a payment of up to $500,000 under the STI plan, depending on achievement of defined performance criteria set by the Chairman and the Remuneration and Nominations Committee.

75% of the maximum annual entitlement payable under the STI plan is based on achieving a NPAT target. The NPAT target is based on the Company's budget. Mr Connaghan is rewarded for performance between 100% and 105% of the NPAT target (at which point the maximum entitlement is received) as outlined below:

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

There are no changes to the terms and conditions relating to the 2014 STI plan.

(iii) Long-term incentives – executive share plan

Subject to shareholder approval, Mr Connaghan is to be granted 266,620 shares in the Company's executive share plan that will vest subject to the achievement of performance conditions.

These shares vest on the terms set out in Section 10 – Share-based compensation.

8. EXECUTIVE CONTRACTUAL ARRANGEMENTS

The remuneration and other terms of employment for the CEO and other executives are set out in written agreements.

These service agreements are unlimited in term but may be terminated by written notice by either party or by the Company making payment in lieu of notice. They may also be terminated with cause, as set out below. Each agreement sets out the fixed remuneration and termination rights. Entitlements relating to STI opportunities and obligations and eligibility to participate in the executive share plan are communicated annually to eligible executives.

Executive salaries are reviewed annually. The service agreements do not require the Company to increase fixed remuneration, pay STI bonuses or continue the executive's participation in the executive share plan.
Key non-financial terms in the service agreements are set out below.

Remuneration details are set out in Section 9 – Details of remuneration.

The Company may terminate the employment of the executive without notice and without payment in lieu of notice in some circumstances. Generally, this includes the event of any act which detrimentally affects the Company such as dishonesty, fraud or serious or wilful misconduct.

Termination of employment with notice and with payment in lieu of notice

The Company may terminate the employment of the executive at any time by giving them notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the table below.

Summary of executive service agreements

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

SUMMARY OF EXECUTIVE SERVICE AGREEMENTS

Key provisions of the agreements relating to executive remuneration as at 31 December 2013 are set out below:

Name	Michael Connaghan	Chris Savage	Lukas Aviani	Peter Cullinane (a)
Position	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Chairman (NZ)
Company	STW Communications Group Limited	STW Communications Group Limited	STW Communications Group Limited	Assignment Group New Zealand Limited
Contract expiry date	Ongoing	Ongoing	Ongoing	Ongoing
Base salary	2012 – $850,000 2013 – $850,000	2012 – $660,000 2013 – $700,000	2012 – $375,000 2013 – $400,000	2012 – NZ$712,500 2013 – NZ$350,000
Short-term incentive plan (maximum entitlement)	2012 – $500,000 2013 – $500,000 50% paid in Company shares and deferred for a period of two years	2012 – $150,000 2013 – $175,000	2012 – $125,000 2013 – $132,500	– –
Termination benefit (Company initiated)	12 months' notice	12 months' notice	6 months' notice	6 months' notice
Termination benefit (employee initiated)	6 months' notice	6 months' notice	3 months' notice	6 months' notice
Non-solicitation of personnel and clients	12 months	12 months	12 months	6 months
Non-compete	12 months	12 months	12 months	6 months

(a) Peter Cullinane transitioned from a full time Managing Director to become Chairman of Assignment Group New Zealand Limited with effect from 1 January 2013.

REMUNERATION REPORT (CONTINUED)

9. DETAILS OF REMUNERATION

Details of the remuneration of Directors and other KMP of the STW Group are set out in the following tables.

The term 'remuneration' used in this Remuneration Report has the same meaning as the alternative term 'compensation', as defined in AASB 124 Related Party Disclosures. Details of remuneration provided to Directors and executives of the Consolidated Entity and the Company for the 2013 year are as follows:

KMP REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2013

	Short-term employment benefits		Post-employment benefits (a)	Share-based payments (b)		
	Cash salary and fees $	Cash profit sharing and other bonuses $	Superannuation $	Value of rights granted $	Total $	At risk remuneration %
Non-executive Directors						
Robert Mactier	170,111	–	24,889	–	195,000	–
Paul Richardson	–	–	–	–	–	–
Ian Tsicalas	100,860	–	9,140	–	110,000	–
Graham Cubbin	100,860	–	9,140	–	110,000	–
Kim Anderson	87,115	–	7,885	–	95,000	–
Executive Directors						
Michael Connaghan	832,878	225,000	17,122	44,785	1,119,785	24%
Peter Cullinane	378,990	–	7,500	–	386,490	–
Director remuneration for the Consolidated Entity and Company	**1,670,814**	**225,000**	**75,676**	**44,785**	**2,016,275**	
Other KMP						
Chris Savage	674,952	75,000	25,048	31,528	806,528	13%
Lukas Aviani	382,878	62,500	17,122	16,184	478,684	16%
Total non-Director KMP remuneration	**1,057,830**	**137,500**	**42,170**	**47,712**	**1,285,212**	
Grand total	**2,728,644**	**362,500**	**117,846**	**92,497**	**3,301,487**	

(a) There were no additional post-employment benefits provided during the year ended 31 December 2013.
(b) Share-based payments represent the amortised cost of the fair value of performance shares issued.

Details of remuneration provided to Directors and executives of the Consolidated Entity and the Company for the 2012 year are as follows:

KMP AND EXECUTIVE REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2012

	Short-term employment benefits		Post-employment benefits (a)	Share-based payments (b)		
	Cash salary and fees $	Cash profit sharing and other bonuses $	Superannuation $	Value of rights granted $	Total $	At risk remuneration %
Non-executive Directors						
Robert Mactier	169,725	–	15,275	–	185,000	–
Paul Richardson	–	–	–	–	–	–
Ian Tsicalas	91,743	–	8,257	–	100,000	–
Graham Cubbin	91,743	–	8,257	–	100,000	–
Kim Anderson	77,982	–	7,018	–	85,000	–
Executive Directors						
Michael Connaghan	805,892	387,500	15,775	354,865	1,564,032	47%
Peter Cullinane	563,086	–	–	–	563,086	–
Director remuneration for the Consolidated Entity and Company	**1,800,171**	**387,500**	**54,582**	**354,865**	**2,597,118**	
Other KMP						
Chris Savage	644,225	116,250	15,775	166,456	942,706	30%
Lukas Aviani	346,725	85,250	15,775	78,230	525,980	31%
Total non-Director KMP remuneration	**990,950**	**201,500**	**31,550**	**244,686**	**1,468,686**	
Grand total	**2,791,121**	**589,000**	**86,132**	**599,551**	**4,065,804**	

(a) There were no additional post-employment benefits provided during the year ended 31 December 2012.
(b) Share-based payments represent the amortised cost of the fair value of performance shares issued.

REMUNERATION REPORT (CONTINUED)

10. SHARE-BASED COMPENSATION

Executive share plan ("ESP")

On 25 May 2004, the Company's shareholders approved the creation of the ESP. The ESP allows the Directors to allocate up to 5% of the ordinary issued shares in the Company to executives ("performance shares"). The ESP structure has been in operation since 31 December 2004. The STW Executive Share Plan Trust ("Trust") is an employee share scheme trust established to satisfy the Company's obligations arising from long-term share-based payments awards and the deferral of STI plan for Michael Connaghan.

As at 31 December 2013, 2,885,208 (2012: 6,184,833) performance shares in the Company have been issued to the Trust. The Trust holds the performance shares and all rights and entitlements attaching to the performance shares on the executives' behalf.

Shares held within the Trust earn income in the form of dividends. Any undistributed income held by the Trust at year end is taxed at the top marginal tax rate (which exceeds the company tax rate) and carries no franking credits. The trustee may at its discretion, distribute net income to beneficiaries of the Trust. Any distributions made to participants are taken into account when considering overall remuneration outcomes each year. No dividends are paid to executives on unvested performance shares.

Details of ESP currently in operation, grant date, performance period and fair value of performance shares at grant date are outlined in Note 30.

Details of shares in the Company provided as remuneration to KMP of the Company and the Group are set out below:

	Number of performance shares granted during the year		Number of performance shares vested during the year	
	2013	2012	2013	2012
Director				
Michael Connaghan	412,000	356,250	942,750	–
Other KMP				
Chris Savage	235,000	225,625	471,375	99,000
Lukas Aviani	110,000	118,750	219,975	–

The assessed fair values at grant date of performance shares granted to individuals is allocated over the period from grant date to vesting date and the amount is included in the remuneration tables.

EXECUTIVE SHARE PLAN OPERATION

The terms and conditions of the ESP are set out below.

Details of the performance shares issued to specified executives are outlined in the tables on pages 46 and 115.

Performance shares	The trustee, CPU Plan Managers Pty Limited, holds the performance shares and all rights and entitlements attaching to the shares on the executives' behalf, subject to the terms of the Trust Deed establishing the ESP and the ESP Rules. No dividends are paid to executives on unvested performance shares.
Performance conditions	The performance shares will vest and be transferred to the executives subject to meeting the performance conditions, as determined by the Remuneration and Nominations Committee.
Lapse of performance shares	Any performance shares for which the relevant performance condition is not satisfied will lapse. Any performance shares that do not vest over the performance period will be forfeited.
Acquisition price	The executives will not be required to pay for any performance shares granted under the plan.
Change of control	If a change of control or similar event occurs, the Board has the discretion to direct the trustee to determine that a portion of the performance shares will vest.
Forfeiture of performance shares	All performance shares granted to the executives under the plan will be forfeited if the executive resigns as an employee of the Group or is dismissed for cause.
Redundancy	If the executive ceases to be an employee of the Group by reason of redundancy, and at that time they continue to satisfy any other relevant conditions imposed by the Board at the time of the offer, then, to the extent that the performance conditions are satisfied, the executive will receive a pro-rata entitlement to the performance shares.
Death, disability or other circumstances approved by the Board	If the executive ceases to be an employee of the Group by reason of death, disability or other reason with the approval of the Board, and at that time the executive continues to satisfy any other relevant conditions imposed by the Board at the time of the offer, then, to the extent that the performance conditions are satisfied, the executive will receive a discretionary entitlement to the performance shares.

REMUNERATION REPORT (CONTINUED)

10. SHARE-BASED COMPENSATION (CONTINUED)

PERFORMANCE CONDITIONS

The following performance conditions will apply to the performance shares issued to executives under the ESP. The number of performance shares granted to the executives that will vest, will be determined according to the extent that the performance conditions are satisfied.

SHARES GRANTED TO EXECUTIVES – 2010 BASE PLAN

The 2010 Base Plan operates with effect from 1 January 2010 to 31 December 2012.

Performance condition – No. 1 – EPS performance condition

Vesting of 75% of the performance shares granted to the executives depends on growth in the Group's normalised EPS between the 2010 and 2012 calendar years (using the Group's normalised 2009 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items. The number of shares on issue for the Consolidated Entity as at 31 December 2009 will be used as the denominator for calculating EPS for the 2010 plan.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2010 and 2012 and will vest in accordance with the table below:

EPS Growth Rate	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 5% CAGR	Nil	Nil
5% CAGR	25%	18.75%
5% to 10% CAGR	Straight line pro-rata	Straight line pro-rata
10% CAGR or above	100%	75%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 5% and 10% or above.

Performance condition – No. 2 – TSR performance condition

Vesting of 25% of the performance shares granted to the executives depends on STW Group's TSR between 2010 and 2012 compared with the TSR performance of a Comparator Group of companies.

The TSR performance condition compares the Company's TSR ranking at 31 December 2012 (calculated using the average closing share price over the three months prior to that date) with the TSR performance of the companies in the Comparator Group over the same period.

TSR measures growth in shareholder value – essentially, movement in the share price plus dividends (assuming reinvestment) between 2010 and 2012.

Comparator Group

The Company's TSR will be compared to the TSR of entities that were in the S&P/ASX All Ordinaries – Consumer Discretionary Index ("Comparator Group") as at the start date of the relevant plan.

The Board chose this Comparator Group as it represented a broad base of companies whose operations face similar challenges to those of the Group.

TSR will be measured against the S&P/ASX All Ordinaries – Consumer Discretionary Index and shares will vest against the capital weighted percentile thresholds in the table below:

TSR performance	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 50th percentile	Nil	Nil
50th percentile	50%	12.5%
50th to 75th percentile	Straight line pro-rata	Straight line pro-rata
Above 75th percentile	100%	25%

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

The 2010 Base Plan has been completed with 3,087,000 shares vesting (98% of performance shares allocated under the Plan) and being issued to executives in February 2013. 100% of the EPS performance condition was achieved and 92% of the TSR performance condition was achieved. Any performance shares that did not vest have been forfeited.

SHARES GRANTED TO EXECUTIVES – 2010 OVERPERFORMANCE PLAN

The 2010 Overperformance Plan operates with effect from 1 January 2010 to 31 December 2012.

Performance condition – EPS performance condition

The executive will have the opportunity to earn additional performance shares granted to the executive under the Overperformance Plan based on the growth in the Group's normalised EPS between the 2010 and 2012 calendar years (using the Group's normalised 2009 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items. The number of shares on issue for the Consolidated Entity as at 31 December 2009 will be used as the denominator for calculating EPS for the 2010 Overperformance Plan.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2010 and 2012 and will vest in accordance with the table below:

EPS Growth Rate	% of total performance shares that vest
Less than 10% CAGR	Nil
10% CAGR	20%
10% to 15% CAGR	Straight line pro-rata
15% CAGR or above	100%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 10% and 15% or above.

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

The 2010 Overperformance Plan has been completed with 212,625 shares vesting and being issued to executives in February 2013. 36% of the EPS performance condition was achieved. Any performance shares that did not vest have been forfeited.

REMUNERATION REPORT (CONTINUED)

10. SHARE-BASED COMPENSATION (CONTINUED)

PERFORMANCE CONDITIONS (CONTINUED)

SHARES GRANTED TO EXECUTIVES – 2011 BASE PLAN

The 2011 Base Plan operates with effect from 1 January 2011 to 31 December 2013.

Performance condition – No. 1 – EPS performance condition

Vesting of 75% of the performance shares granted to the executives depends on growth in the Group's normalised EPS between the 2011 and 2013 calendar years (using the Group's normalised 2010 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2011 and 2013 and will vest in accordance with the table below:

EPS Growth Rate	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 5% CAGR	Nil	Nil
5% CAGR	25%	18.75%
5% to 10% CAGR	Straight line pro-rata	Straight line pro-rata
10% CAGR or above	100%	75%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 5% and 10% or above.

Performance condition – No. 2 – TSR performance condition

Vesting of 25% of the performance shares granted to the executives depends on the Group's TSR between 2011 and 2013 compared with the TSR performance of a Comparator Group of companies.

The TSR performance condition compares the Company's TSR ranking at 31 December 2013 (calculated using the average closing share price over the three months prior to that date) with the TSR performance of the companies in the Comparator Group over the same period.

TSR measures growth in shareholder value – essentially, movement in the share price plus dividends (assuming reinvestment) between 2011 and 2013.

Comparator Group

The Company's TSR will be compared to the TSR of entities that were in the S&P/ASX All Ordinaries – Consumer Discretionary Index ("Comparator Group") as at the start date of the relevant plan.

The Board chose this Comparator Group as it represented a broad base of companies whose operations face similar challenges to those of the Group.

TSR will be measured against the S&P/ASX All Ordinaries – Consumer Discretionary Index and shares will vest against the capital weighted percentile thresholds in the table below:

TSR performance	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 50th percentile	Nil	Nil
50th percentile	50%	12.5%
50th to 75th percentile	Straight line pro-rata	Straight line pro-rata
Above 75th percentile	100%	25%

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

The 2011 Base Plan has been completed with 413,438 shares vesting (43.75% of performance shares allocated under the Plan) and being issued to executives in February 2014. 25% of the EPS performance condition was achieved and 100% of the TSR performance conditions was achieved. Any performance shares that did not vest have been forfeited.

SHARES GRANTED TO EXECUTIVES – 2011 OVERPERFORMANCE PLAN

The 2011 Overperformance Plan operates with effect from 1 January 2011 to 31 December 2013.

Performance condition – EPS performance condition

The executive will have the opportunity to earn additional performance shares granted to the executive under the Overperformance Plan based on the growth in the Group's normalised EPS between the 2011 and 2013 calendar years (using the Group's normalised 2010 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2011 and 2013 and will vest in accordance with the table below:

EPS Growth Rate	% of total performance shares that vest
Less than 10% CAGR	Nil
10% CAGR	20%
10% to 15% CAGR	Straight line pro-rata
15% CAGR or above	100%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 10% and 15% or above.

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

The 2011 Overperformance Plan has been completed. The performance conditions were not achieved and no shares vested. The performance shares have been forfeited.

REMUNERATION REPORT (CONTINUED)

10. SHARE-BASED COMPENSATION (CONTINUED)

PERFORMANCE CONDITIONS (CONTINUED)

SHARES GRANTED TO EXECUTIVES – 2012 BASE PLAN

The 2012 Base Plan operates with effect from 1 January 2012 to 31 December 2014.

Performance condition – No. 1 – EPS performance condition

Vesting of 75% of the performance shares granted to the executives depends on growth in the Group's normalised EPS between the 2012 and 2014 calendar years (using the Group's normalised 2011 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2012 and 2014 and will vest in accordance with the table below:

EPS Growth Rate	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 3% CAGR	Nil	Nil
3% CAGR	10%	7.5%
4% CAGR	20%	15%
5% CAGR	30%	22.5%
6% CAGR	50%	37.5%
7% CAGR	70%	52.5%
8% CAGR	100%	75%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 3% and 8% or above.

Performance condition – No. 2 – TSR performance condition

Vesting of 25% of the performance shares granted to the executives depends on the Group's TSR between 2012 and 2014 compared with the TSR performance of a Comparator Group of companies.

The TSR performance condition compares the Company's TSR ranking at 31 December 2014 (calculated using the average closing share price over the three months prior to that date) with the TSR performance of the companies in the Comparator Group over the same period.

TSR measures growth in shareholder value – essentially, movement in the share price plus dividends (assuming reinvestment) between 2012 and 2014.

Comparator Group

The Company's TSR will be compared to the TSR of entities that were in the S&P/ASX All Ordinaries – Consumer Discretionary Index ("Comparator Group") as at the start date of the relevant plan.

The Board chose this Comparator Group as it represented a broad base of companies whose operations face similar challenges to those of the Group.

TSR will be measured against the S&P/ASX All Ordinaries – Consumer Discretionary Index and shares will vest against the capital weighted percentile thresholds in the table below:

TSR performance	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 50th percentile	Nil	Nil
50th percentile	50%	12.5%
50th to 75th percentile	Straight line pro-rata	Straight line pro-rata
Above 75th percentile	100%	25%

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

To the extent that the performance conditions are achieved, the performance shares will be transferred to executives on 1 March 2015. Any performance shares that do not vest over the performance period will be forfeited.

SHARES GRANTED TO EXECUTIVES – 2012 OVERPERFORMANCE PLAN

The 2012 Overperformance Plan operates with effect from 1 January 2012 to 31 December 2014.

Performance condition – EPS performance condition

The executive will have the opportunity to earn additional performance shares granted to the executive under the Overperformance Plan based on the growth in the Group's normalised EPS between the 2012 and 2014 calendar years (using the Group's normalised 2011 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2012 and 2014 and will vest in accordance with the table below:

EPS Growth Rate	% of total performance shares that vest
Less than 8% CAGR	Nil
8% CAGR	20%
8% to 13% CAGR	Straight line pro-rata
13% CAGR or above	100%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 8% and 13% or above.

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

To the extent that the performance conditions are achieved, the performance shares will be transferred to executives on 1 March 2015. Any performance shares that do not vest over the performance period will be forfeited.

REMUNERATION REPORT (CONTINUED)

10. SHARE-BASED COMPENSATION (CONTINUED)

PERFORMANCE CONDITIONS (CONTINUED)

SHARES GRANTED TO EXECUTIVES – 2013 BASE PLAN

The 2013 Base Plan operates with effect from 1 January 2013 to 31 December 2015.

Performance condition – No. 1 – EPS performance condition

Vesting of 75% of the performance shares granted to the executives depends on growth in the Group's normalised EPS between the 2013 and 2015 calendar years (using the Group's normalised 2012 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2013 and 2015 and will vest in accordance with the table below:

EPS Growth Rate	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 3% CAGR	Nil	Nil
3% CAGR	10%	7.5%
4% CAGR	20%	15%
5% CAGR	30%	22.5%
6% CAGR	50%	37.5%
7% CAGR	70%	52.5%
8% CAGR	100%	75%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 3% and 8% or above.

Performance condition – No. 2 – TSR performance condition

Vesting of 25% of the performance shares granted to the executives depends on the Group's TSR between 2013 and 2015 compared with the TSR performance of a Comparator Group of companies.

The TSR performance condition compares the Company's TSR ranking at 31 December 2015 (calculated using the average closing share price over the three months prior to that date) with the TSR performance of the companies in the Comparator Group over the same period.

TSR measures growth in shareholder value – essentially, movement in the share price plus dividends (assuming reinvestment) between 2013 and 2015.

Comparator Group

The Company's TSR will be compared to the TSR of entities that were in the S&P/ASX All Ordinaries – Consumer Discretionary Index ("Comparator Group") as at the start date of the relevant plan.

The Board chose this Comparator Group as it represented a broad base of companies whose operations face similar challenges to those of the Group.

TSR will be measured against the S&P/ASX All Ordinaries – Consumer Discretionary Index and shares will vest against the capital weighted percentile thresholds in the table below:

TSR performance	% of performance shares subject to the performance condition that vest	% of total performance shares that vest
Less than 50th percentile	Nil	Nil
50th percentile	50%	12.5%
50th to 75th percentile	Straight line pro-rata	Straight line pro-rata
Above 75th percentile	100%	25%

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

To the extent that the performance conditions are achieved, the performance shares will be transferred to executives on 1 March 2016. Any performance shares that do not vest over the performance period will be forfeited.

SHARES GRANTED TO EXECUTIVES – 2013 OVERPERFORMANCE PLAN

The 2013 Overperformance Plan operates with effect from 1 January 2013 to 31 December 2015.

Performance condition – EPS performance condition

The executive will have the opportunity to earn additional performance shares granted to the executive under the Overperformance Plan based on the growth in the Group's normalised EPS between the 2013 and 2015 calendar years (using the Group's normalised 2012 calendar year EPS performance as the base).

Normalised EPS is calculated on earnings adjusted for impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

EPS will be measured by the average compound annual growth rate ("CAGR") in the Company's EPS ("EPS Growth Rate") between 2013 and 2015 and will vest in accordance with the table below:

EPS Growth Rate	% of total performance shares that vest
Less than 8% CAGR	Nil
8% CAGR	20%
8% to 13% CAGR	Straight line pro-rata
13% CAGR or above	100%

The Board believes that the performance condition relating to the EPS Growth Rate target is appropriate, rewarding executives for a compounded EPS Growth Rate of between 8% and 13% or above.

Service condition

If the executive resigns as an employee of the Group or is dismissed for cause prior to the performance condition testing dates for the shares to vest, all performance shares granted to the executive under the plan will be forfeited.

Vesting

To the extent that the performance conditions are achieved, the performance shares will be transferred to executives on 1 March 2016. Any performance shares that do not vest over the performance period will be forfeited.

CORPORATE GOVERNANCE STATEMENT

THE COMPANY'S APPROACH TO CORPORATE GOVERNANCE

The Board of the Company is responsible for the governance of the Company and its controlled entities ("the Group").

The Board and management of STW Communications Group Limited recognise their duties and obligations to stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value for stakeholders and enhances investor confidence.

A description of the Group's main corporate governance practices are set out below.

All of these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Guidelines"), including the 2010 amendments, unless otherwise stated.

The policies are contained on the Company's website, www.stwgroup.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles and responsibilities

The Board is accountable to shareholders for the Company's performance.

The Board's roles and responsibilities are formalised in a Board Charter, together with specific matters that are delegated to management. The charter is disclosed on the Company's website.

The Board has established Committees to assist in carrying out its responsibilities and consider certain issues and functions in detail. The Board Committees are discussed in Principle 2 below.

Board-approved policies and the Code of Conduct define the responsibilities for day-to-day operations delegated to management, and those requiring Board approval.

Management responsibility

Subject to the specific authorities reserved to the Board under the Board Charter, and to the authorities delegated to the Board Committees, the Board has delegated to the Chief Executive Officer responsibility for the management and operation of the Group. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of the Group within the powers authorised to him from time to time by the Board.

The Chief Executive Officer may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of these delegated powers.

Executive performance review

The performance of all executives, including the Chief Executive Officer, is reviewed annually. The evaluation of the executives involves an assessment of a range of factors including the overall performance of the Company and achievement of specific pre-determined goals.

An evaluation of the performance of the Chief Executive Officer, including setting the Chief Executive Officer's goals for the coming year and reviewing progress in achieving those goals, is facilitated by the Chairman, with ultimate oversight by the Board.

The Chief Executive Officer is responsible for setting performance objectives and reviewing the performance of his direct reports.

The Remuneration and Nominations Committee considers the performance of the Chief Executive Officer and key executives in assessing future fixed remuneration and awarding performance related remuneration through short-term and long-term incentives.

Further information is in the Remuneration Report on pages 37 to 55.

During the reporting period, a performance evaluation for executives, including the Chief Executive Officer, has taken place in accordance with this process.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board structure

At the date of this report, the Board is made up of seven Directors, a majority of whom are independent directors, comprising:

- four independent Non-executive Directors;
- one non-independent Non-executive Directors; and
- two executive Directors.

Directors' profiles – with details of Directors' skills, experience and special expertise – are on pages 28 and 29 in this Annual Report and are also contained on the Company's website, www.stwgroup.com.au.

The Directors determine the Board's size and composition, within the limits set by the Company's Constitution, which requires the Board to comprise between three and 10 Directors. The table below summarises the current composition of the Board.

Name	Position	Independent	Reason for non-independence	First appointed
Robert Mactier	Chairman	YES	–	2006
Michael Connaghan	Chief Executive Officer and executive Director	NO	Chief Executive Officer	2008
Paul Richardson	Non-executive Director	NO	Associated directly with a substantial shareholder – Cavendish Square Holdings BV (WPP plc)	1999
Ian Tsicalas	Non-executive Director	YES	–	2007
Graham Cubbin	Non-executive Director	YES	–	2008
Peter Cullinane	Executive Director	NO	Chairman of a subsidiary of STW Group	2010
Kim Anderson	Non-executive Director	YES	–	2010

Directors' independence

All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgement.

In considering whether a Director is independent, the Board has regard to the provisions of Principle 2.1.

When determining the status of an independent Director, the Board should consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed, in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment.

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's executives. In accepting the position, the Chairman has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chairman.

The Chairman's role and responsibilities are separate from those of the Chief Executive Officer. The Chairman is the key link between the Chief Executive Officer and the other Directors and is responsible for effective collaboration between them.

Non-executive Directors

Non-executive Directors hold a private session without any executive involvement as part of each Board meeting to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.

Nomination and appointment of Directors

The Board's Remuneration and Nominations Committee recommends new Directors and manages the process for identifying and appointing those new Directors. The Remuneration and Nominations Committee's Charter is available on the Company's website.

The Committee comprises three Directors, a majority of whom are independent and is chaired by an independent Director. Details of these Directors' attendance at Remuneration and Nominations Committee meetings are set out in the Directors' Report on page 33.

When a new Director is to be appointed, the Committee reviews the range of skills, experience, expertise and diversity on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience.

Each Director brings a range of personal and professional experiences and expertise to the Board. The Board seeks to achieve an appropriate mix of skills and diversity including a deep understanding in the areas of corporate management and operational experience, as well as a deep understanding of the marketing and communications industries in which the group operates, as well as the regulatory and economic challenges it faces. Directors devote significant time and resources to the discharge of their duties.

The full Board will appoint the most suitable candidate who must stand for election at the next Annual General Meeting of the Company. The Board's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.

New Directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, their rights and the terms and conditions of their employment. All new Directors participate in a comprehensive, formal induction program which covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues.

Induction

The induction provided to new Directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board and executives.

Term of office

Each Non-executive Director is elected for a three year term (unless otherwise required to be re-elected earlier due to the rotational policy contained in the Company's Constitution), which is renewable for further periods on the review and approval of the other Directors, and re-election by shareholders at an Annual General Meeting.

Retirement and re-election of Directors

The Company's Constitution provides for new Board-appointed Directors to stand for election by shareholders at the next Annual General Meeting. In addition, at each Annual General Meeting one-third of Directors, other than the Managing Director, will stand for re-election every year. An election of Directors is held at each Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Commitment

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2013, and the number of meetings attended by each Director, is disclosed on page 33.

It is the Company's practice to allow its executive Directors to accept appointments outside the Company with prior written approval of the Board. Details of current directorships are noted in the Directors' profiles on pages 28 and 29 in this Annual Report.

The commitments of Non-executive Directors are considered by the Remuneration and Nominations Committee prior to the Directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each Non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflicts of interest

In accordance with the Board Charter and the Corporations Act 2001, any Director with a material personal interest in a matter being discussed by the Board must declare such an interest.

Any Director who has an actual or perceived material conflict, or potential conflict, does not, at the discretion of the Board, receive any papers from the Company pertaining to those matters, or participate in any meeting to consider, or vote, on the matter giving rise to that conflict.

Independent professional advice

Directors have a right of access to Company employees, advisors and records. In carrying out their duties and responsibilities, Directors have access to advice and counsel from the Chairman and Company Secretary, and are able to seek independent professional advice at the Company's expense; after consultation with the Chairman.

Review of Board performance

The Board undertakes an annual self assessment of the performance of the whole Board and Board Committees. The process involves each Director completing an interview with the Chairman, which enables Directors to raise any issues relating to the Board or a Board Committee. The results are discussed by the whole Board, where initiatives to improve or enhance Board performance and effectiveness are considered and recommended.

The Chairman assesses the performance of other individual Directors and provides feedback to them. The Chairman's own performance is assessed by the Chairman of the Remuneration and Nominations Committee.

A performance review of the Board, Board Committees and individual directors including the Chairman was undertaken in November 2013.

Board Committees

To assist it in undertaking its duties, the Board has established the Audit and Risk Committee and the Remuneration and Nominations Committee.

Each Committee has a Board-approved charter setting out its corporate governance roles and responsibilities, composition, structure, membership requirements and operation. Committee meeting minutes are prepared and available to all Board members. The Committees report back to the Board on specific matters and areas of responsibility outlined in the Committee charters.

The latest charter for each Committee is available on the Company's website, www.stwgroup.com.au.

The Audit and Risk Committee comprises:

Graham Cubbin (Chair)
Robert Mactier
Ian Tsicalas.

The Remuneration and Nominations Committee comprises:

Ian Tsicalas (Chair)
Graham Cubbin
Kim Anderson.

Details of Directors' attendance at meetings throughout the period are set out in the Directors' Report on page 33.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Codes of conduct

The Board has adopted a Corporate Code of Conduct which applies to all employees of the Group and a Code of Conduct for Directors and executives. The Company has developed and implemented policies governing Director and employee conduct that articulate the standards of honest, ethical and law-abiding behaviour expected by the Company.

Employees are actively encouraged to bring any problems to the attention of management or the Board, including activities or behaviour which may not comply with the code of conduct, other policies in place or regulatory requirements or laws.

A summary of the Corporate Code of Conduct and Code of Conduct for Directors and executives is available on the Company's website.

Share Trading Policy

The Company's Share Trading Policy concerning trading in Company securities allows Directors and executives to deal in STW Group securities during the one month period beginning at the close of trading on the day after the Company:

— announces its half-yearly results to the ASX;
— announces its full-year results to the ASX; and
— holds its Annual General Meeting.

All Directors and employees are prohibited from trading in STW Group securities at any time if they possess price-sensitive information not available to the market and which could, reasonably, be expected to influence the market.

Directors and senior management must give the Chairman and Company Secretary prior notice of any proposed dealing in STW Group securities. The ASX, and all other Directors, are notified of any transactions by a Director in Company securities. Each Director has an agreement to provide information to enable notification to the ASX of any share transaction within three business days.

The Share Trading Policy is available on the Company's website.

Gender diversity

The Board is committed to promoting a corporate culture that embraces diversity across the organisation.

The Board has adopted a Diversity Policy, available on the Company's website. The Diversity Policy requires the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them.

The Remuneration and Nominations Committee is responsible for the regular review of and reporting on the relative proportion of women employed at all levels of the Company and regular review of and reporting on the measurable objectives set on an annual basis. These objectives and the progress towards achieving them are outlined below:

Objective	Initiative	Outcomes
Create governance body to oversee STW initiatives to improve gender diversity	STW's Diversity Council is chaired by the CEO and includes a range of executives from STW businesses in Australia and New Zealand. The Council is responsible for the implementation of STW's strategy, systems, processes and programs around gender diversity.	The Council is meeting monthly and implementing a range of policies and programs
Continue to grow the number of women performing senior roles	STW Women in Leadership Group established in 2012 with the objective to address key female-centric development areas and devise initiatives to help all STW Group companies recruit and retain the best female talent in our industry.	In 2013, 35% (2012: 35%) of women are in senior leadership positions
Continue to implement career development programs to prepare women within the Group to take on more senior roles	STW High Performer program fast tracks the careers of future leaders of the business. The program allows for the identification and development of employees with the ability, commitment and motivation to rise to senior positions.	Of the 40 people who participated in the STW High Performer program, 22 were female (55% of total course participants)
Create an environment for women to network and mentor each other to progress their careers within the Group	Female mentoring program launched in March 2013. The program provides selected female employees with the opportunity to learn from senior managers within the Group, and ensures they have the tools and networks needed to reach more senior positions right across the STW Group.	During 2013, 19 females were mentored by senior female executives through the mentoring program

Gender diversity outcomes

In 2013, the Group maintained the proportion of female employees occupying management and leadership positions. However, our efforts are focused on ensuring the broader environment to support diversity, rather than achieving set quotas or targets.

The levels of gender diversity as at 31 December 2013 are set out below:

Gender diversity outcomes

Gender diversity	31 Dec 13 Male	31 Dec 12 Male	31 Dec 13 Female	31 Dec 12 Female
Total employees	47%	46%	53%	54%
Senior managers	65%	65%	35%	35%
Board	86%	86%	14%	14%

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The Board has the responsibility to ensure truthful and factual presentation of the Company's financial position. The Board has established the Audit and Risk Committee to oversee the structure and management systems that ensure the integrity of the Company's financial reporting.

The Audit and Risk Committee consists of the following Non-executive Directors:

Graham Cubbin (Chair)
Rob Mactier
Ian Tsicalas.

The Audit and Risk Committee consists only of Non-executive Directors, including a majority of independent Directors. The Chairman of the Board cannot chair the Audit and Risk Committee. Committee members have financial expertise and understand the industries in which the Company operates. The details of the members' qualifications are set out on pages 28 and 29 in this Annual Report.

The Committee meets at least three times per year, and during 2013 met four times. An agenda is prepared, and papers circulated to Committee members, before each meeting. The Company's external auditor attends Committee meetings, with management attending at the Committee Chairman's invitation.

The main responsibilities of the Committee are to:

- review, assess and approve the half-year financial report, the full-year financial report and all other financial information published by the Company or released to the market;
- oversee the effective operation of the risk management framework;
- review the independence of the external auditor, including the nature and level of non-audit services provided, and report on this issue to the full Board;
- recommend to the Board the appointment, removal and remuneration of the external auditors, review the terms of their engagement and the scope and quality of the audit and assess performance; and
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Committee:

- receives regular reports from management and external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Chief Executive Officer and Chief Financial Officer have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management irrespective of whether they have been resolved;
- meets at least twice a year separately with the external auditors without executive Directors or management present; and
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit and Risk Committee or the Chairman of the Board.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Audit and Risk Committee's Charter is available on the Company's website.

Assurance

In respect of the financial report for the year ended 31 December 2013, the Board has received formal assurance from the Chief Executive Officer and Chief Financial Officer that:

- the Group's financial statements present a true and fair view of the Group's financial position and results for the period; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

Independent external auditor

The Company and Audit and Risk Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The Company's independent external auditor is Deloitte Touche Tohmatsu ("Deloitte"). The appointment of Deloitte was ratified by members at the Annual General Meeting held on 18 May 2007. External auditors will be required to rotate the lead engagement partner assigned to the Company every five years.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, the media and the public.

The Board has approved and implemented a Market Disclosure Protocol. The protocol is designed to ensure compliance with the Corporations Act 2001 and ASX Listing Rules continuous disclosure requirements. The Company has a Market Disclosure Committee which is responsible for:

- making decisions on what should be disclosed publicly under the Market Disclosure Protocol;
- maintaining a watching brief on information; and
- ensuring disclosure is made in a timely and efficient manner.

The Market Disclosure Protocol is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder communication

The Company is committed to providing regular communication to shareholders and other investors so that they have all available information reasonably required to make informed assessments of the Company's strategy, operations and financial performance.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website.

The Company also publishes half-yearly and annual reports, announcements, media releases and other information on its website at www.stwgroup.com.au. The Company's website contains all recent announcements, presentations, past and current reports to shareholders, notices of meeting and archived webcasts of general meetings and investor presentations.

Internet webcasting is provided for market briefings to encourage participation from all stakeholders regardless of their location. Where practical, the Company maintains a record of issues discussed at group or one-on-one briefings with investors and analysts, including a list of who was present and the time and place of meeting. Half-yearly and annual reports are provided to shareholders other than those who have requested not to receive a copy. Shareholders may elect to receive all Company reports electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The management of risks is fundamental to the Company's business and building shareholder value. The Board recognises a broad range of risks which apply to the Company as a marketing communications group including, but not limited to strategic, operational, compliance, reputational and financial risks.

The Board is responsible for determining the Group's risk management strategy. Management is responsible for implementing the Board's strategy and developing a risk management and internal control system to manage the Company's material business risks, including policies and procedures to identify, manage and mitigate risks across the whole of the Group's operations.

An Executive Risk Committee has been established to provide operational oversight of the risk management framework.

Management reports to the Audit and Risk Committee on the Company's material risks and the extent to which they believe they are being managed. This is performed twice a year, or more frequently as required by the Committee. During the reporting period, management has reported to the Audit and Risk Committee on the effectiveness of the Company's management of its material business risks in accordance with this process.

As part of ongoing management review, a detailed, company-wide internal control questionnaire is completed annually, reviewed by senior management and reported to the Audit and Risk Committee. A review of major risks is undertaken for all corporate and operational activities.

Major risks are reported to the Board, along with controls and risk mitigation plans.

Corporate reporting

When presenting financial statements for Board approval, the Chief Executive Officer and Chief Financial Officer provide a formal statement indicating that:

- the financial statements present a true and fair view in all material respects of the Group's financial condition and operational results, and are in accordance with the relevant accounting standards;
- the financial statements are founded on a sound system of risk management and internal compliance and control, which implements policies adopted by the Board; and
- risk management and internal control systems are sound and operating effectively in all material respects in relation to financial reporting risks.

The assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks. During the reporting period, the Board has received a statement in the above form from the Chief Executive Officer and the Chief Financial Officer.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board has established the Remuneration and Nominations Committee comprising of a majority of independent Directors, having at least three members and chaired by an independent Director as follows:

Ian Tsicalas (Chair)
Graham Cubbin
Kim Anderson.

The Remuneration and Nominations Committee's Charter is available on the Company's website, and further information is provided in the Remuneration Report on pages 37 to 55.

The Remuneration and Nominations Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other executives and Non-executive Directors.

The Company's policy, contained in the Share Trading Policy, prohibits an executive from entering into a transaction that is designed or intended to hedge that component of their unvested remuneration which is constituted by the Company's shares.

It is the Company policy to prohibit margin lending over the Company's shares by Directors and executives.

The remuneration of Non-executive Directors is structured separately from that of the executive Directors and executives. Further information on the Group's remuneration policies and practices, along with remuneration details for the Group's key management and Non-executive Directors, is contained in the Remuneration Report on pages 37 to 55.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 13

		Consolidated Entity	
	Notes	2013 $'000	2012 $'000
Continuing operations			
Revenue	4(a)	395,025	348,561
Other income	4(b)	5,512	5,606
Share of net profits of associates accounted for using the equity method	4(c)	12,894	11,197
		413,431	**365,364**
Employee benefits expense		(245,682)	(212,537)
Occupancy costs		(24,784)	(19,663)
Depreciation expense	5(a)	(7,863)	(7,083)
Amortisation expense	5(a)	(560)	(1,478)
Travel, training and other personal costs		(12,697)	(10,706)
Research, new business and other commercial costs		(7,255)	(6,665)
Office and administration costs		(17,344)	(14,361)
Compliance, audit and listing costs		(8,574)	(9,079)
Finance costs	5(b)	(13,478)	(13,932)
Profit before income tax		**75,194**	**69,860**
Income tax expense	6	(13,540)	(15,392)
Net profit		**61,654**	**54,468**
Net profit attributable to:			
– Non-controlling interests		12,198	10,501
– Members of the Parent Entity		**49,456**	**43,967**
		Cents	**Cents**
Earnings per share:			
Basic earnings per share	7	**12.35**	**12.14**
Diluted earnings per share	7	**12.34**	**12.03**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 13

	Consolidated Entity	
	2013 $'000	2012 $'000
Net profit	**61,654**	**54,468**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Transactions with non-controlling interest (a)	–	5,149
Exchange gain arising on translation of foreign operations	12,125	2,976
Reclassification adjustment relating to disposal of foreign operations	(523)	–
Fair value gain on cash flow hedges taken to equity	1,146	186
Income tax expense relating to components of other comprehensive income	(344)	(56)
Other comprehensive income (net of tax)	12,404	8,255
Total comprehensive income	**74,058**	**62,723**
Total comprehensive income attributable to:		
– Non-controlling interests	13,612	10,693
– Members of the Parent Entity	**60,446**	**52,030**

(a) During the year ended 31 December 2012, STW Media Services Pty Limited disposed of a 33.33% equity interest in DT Digital Pty Limited.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 13

		Consolidated Entity	
	Notes	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	9	43,271	43,641
Trade and other receivables	10	169,491	154,458
Other current assets	11	5,328	4,975
Total current assets		**218,090**	**203,074**
Non-current assets			
Other receivables	12	16,478	14,149
Investments accounted for using the equity method	13	116,750	95,373
Other financial assets	14	583	500
Plant and equipment	15	33,703	25,495
Deferred tax assets	16	11,130	11,207
Intangible assets	17	505,156	495,533
Other non-current assets	18	836	610
Total non-current assets		**684,636**	**642,867**
Total assets		**902,726**	**845,941**
Current liabilities			
Trade and other payables	19	172,144	182,271
Borrowings	20	215	3,208
Current tax liabilities	6	6,054	9,316
Provisions	21	8,239	7,089
Total current liabilities		**186,652**	**201,884**
Non-current liabilities			
Other payables	22	42,325	37,782
Borrowings	23	172,150	133,009
Deferred tax liabilities	24	2,642	6,756
Provisions	25	3,059	3,075
Total non-current liabilities		**220,176**	**180,622**
Total liabilities		**406,828**	**382,506**
Net assets		**495,898**	**463,435**
Equity			
Issued capital	26	315,240	313,829
Reserves	27	27,228	18,213
Retained earnings	28	106,770	90,649
Equity attributable to members of the Parent Entity		**449,238**	**422,691**
Non-controlling interests		46,660	40,744
Total equity		**495,898**	**463,435**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 13

		Attributable to equity holders of the Consolidated Entity									
	Notes	Issued capital $'000	Equity settled share-based payment reserve* $'000	Transactions with non-controlling interests reserve* $'000	Brand name revaluation reserve* $'000	Interest rate hedge reserve* $'000	Foreign currency translation reserve* $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Consolidated Entity											
At 1 January 2012		274,895	1,272	–	16,275	(1,206)	(7,072)	76,801	360,965	35,339	396,304
Net profit		–	–	–	–	–	–	43,967	43,967	10,501	54,468
Other comprehensive income		–	–	5,149	–	130	2,784	–	8,063	192	8,255
Total comprehensive income		**–**	**–**	**5,149**	**–**	**130**	**2,784**	**43,967**	**52,030**	**10,693**	**62,723**
Non-controlling interests on acquisition of controlled entities and buy-out of non-controlling interests		–	–	–	–	–	–	–	–	1,216	1,216
Issue of executive share plan shares	26	402	(402)	–	–	–	–	–	–	–	–
Share issue	26	38,532	–	–	–	–	–	–	38,532	–	38,532
Cost of share-based payments	27	–	1,283	–	–	–	–	–	1,283	–	1,283
Equity dividends provided for or paid	8	–	–	–	–	–	–	(30,119)	(30,119)	(6,504)	(36,623)
At 31 December 2012		**313,829**	**2,153**	**5,149**	**16,275**	**(1,076)**	**(4,288)**	**90,649**	**422,691**	**40,744**	**463,435**
Net profit		–	–	–	–	–	–	49,456	49,456	12,198	61,654
Other comprehensive income		–	–	–	–	802	10,188	–	10,990	1,414	12,404
Total comprehensive income		**–**	**–**	**–**	**–**	**802**	**10,188**	**49,456**	**60,446**	**13,612**	**74,058**
Non-controlling interests on acquisition of controlled entities and buy-out of non-controlling interests		–	–	–	–	–	–	–	–	825	825
Issue of executive share plan shares	26	1,411	(1,411)	–	–	–	–	–	–	–	–
Cost of share-based payments	27	–	(564)	–	–	–	–	–	(564)	–	(564)
Equity dividends provided for or paid	8	–	–	–	–	–	–	(33,335)	(33,335)	(8,521)	(41,856)
At 31 December 2013		**315,240**	**178**	**5,149**	**16,275**	**(274)**	**5,900**	**106,770**	**449,238**	**46,660**	**495,898**

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

*** Nature and purpose of reserves:**
The equity settled share-based payment reserve is used to record the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.
The transactions with non-controlling interests reserve relates to transactions with non-controlling interests that do not result in a loss of control.
The brand name revaluation reserve was used to record the net upward revaluation of acquired brand names.
The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument 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.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 13

	Notes	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Cash flows from operating activities			
Receipts from customers		1,035,535	1,023,579
Payments to suppliers and employees		(976,681)	(949,232)
Net cash flows from operations		**58,854**	**74,347**
Interest received		1,570	2,896
Interest and other costs of finance paid		(11,685)	(12,656)
Dividends and trust distributions received from associates		6,679	7,659
Income taxes paid		(20,005)	(19,665)
Net cash flows from operating activities	9	**35,413**	**52,581**
Cash flows from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired	33(c)	(6,037)	(45,677)
Payments for purchase of associates		(3,466)	(2,543)
Payments for purchase of plant and equipment		(15,873)	(8,565)
Proceeds from sale of controlled entities and associates		2,781	5,262
Earnout payments and intangible assets acquired		(17,719)	(4,289)
Loan from/(to) associates		8,977	(5,416)
Net cash flows used in investing activities		**(31,337)**	**(61,228)**
Cash flows from financing activities			
Proceeds from borrowings		231,500	237,109
Repayments of borrowings		(195,351)	(213,977)
Proceeds from issue of shares	26	–	38,532
Equity holder dividends paid	8	(33,335)	(30,119)
Dividends paid to non-controlling interests		(8,521)	(6,504)
Net cash flows (used in)/from financing activities		**(5,707)**	**25,041**
Net (decrease)/increase in cash held		**(1,631)**	**16,394**
Effects of exchange rate changes on cash and cash equivalents		1,261	106
Cash at the beginning of the year		43,641	27,141
Cash at the end of the year	9	**43,271**	**43,641**

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

CONTENTS – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of STW Communications Group Limited for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors, dated 25 March 2014.

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

(A) BASIS OF PREPARATION

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

(B) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRSs"). Compliance with AIFRSs ensures that the consolidated financial report, comprising the consolidated financial statements and notes thereto, complies with International Financial Reporting Standards.

At the date of authorisation of the financial report, a number of standards and interpretations which will be applicable to the Group were in issue but not yet effective (the Group does not expect the impact of these standards to be material):

Standards/Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments (December 2009) AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2017	31 December 2017
AASB 9 Financial Instruments (December 2010) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2017	31 December 2017
AASB 1031 Materiality (2013)	1 January 2014	31 December 2014
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	31 December 2014
AASB 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2014	31 December 2014
AASB 2012-6 Amendments to Australian Accounting Standards arising – Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2017	31 December 2017
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non–Financial Assets	1 January 2014	31 December 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	31 December 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2014	31 December 2014

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations. The adoption of these new and revised accounting standards has not resulted in any significant impact on the financial results, as the standards and amendments are primarily concerned with disclosures.

(C) BASIS OF CONSOLIDATION

(i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of STW Communications Group Limited ("Company" or "Parent Entity") as at 31 December 2013 and the results of all controlled entities for the year then ended. STW Communications Group Limited and its controlled entities together are referred to in this financial report as the "Group" or the "Consolidated Entity".

Control is achieved when the Company:

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

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

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

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

Where the Group has an interest in a controlled entity, and both vendor and purchaser hold put and call option agreements whereby the Group's interest in the target entity will increase at a future date, it is the Group's policy that 100% of the target entity earnings and statement of financial position are included in the Consolidated Entity's statement of profit or loss and statement of financial position. This is notwithstanding that the Group's ownership interest in the target entity is less than 100%. An estimate is made of the likely future capital payment to be made upon exercise of the put or call option. Additionally, an estimate is made of likely future distribution payments to be made to the non-controlling holders in their capacity as equity holders in the target entity. These amounts (at their present value as disclosed in Note 1(i)) are disclosed as either a current or non-currrent liability titled 'Deferred cash settlement for controlled entities and associates acquired' as shown in Notes 19 and 22. Any distribution payments made to non-controlling holders during the period are treated as a reduction of this deferred consideration liability.

In all other circumstances, non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of profit or loss ("profit or loss"), consolidated statement of profit or loss and other comprehensive income ("statement of comprehensive income") and consolidated statement of financial position ("balance sheet"), respectively.

(ii) Associates

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

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

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

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

(iii) Changes in ownership interests

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

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

(D) ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Company is an entity to which Class Order (CO 98/100) issued by the Australian Securities and Investments Commission applies and, accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with this Class Order.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

(E) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group entities

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

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

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

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

(F) REVENUE RECOGNITION

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

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

(i) Advertising revenue

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

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

(ii) Media revenue

Media commission and service fees are brought to account on a monthly basis, once advertisements have been run in the media and billed to clients.

(iii) Production revenue

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

(iv) Retainer fees

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

(v) Collateral revenue

Collateral revenue is brought to account when the related costs are earnt.

(vi) Interest

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

(vii) Dividends and trust distributions

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

(G) TAXES

(i) Income tax

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

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

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

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

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

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

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

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

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

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

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

(iii) Tax consolidation

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

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

(H) LEASES

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

(I) BUSINESS COMBINATIONS

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

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

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

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

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

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

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

(J) IMPAIRMENT OF ASSETS

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

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

(K) CASH AND CASH EQUIVALENTS

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

(L) TRADE AND OTHER RECEIVABLES

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

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

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

(M) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

(i) Effective interest method

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

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

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

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

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

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

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

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

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

(N) FAIR VALUE ESTIMATION

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

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

(O) PLANT AND EQUIPMENT

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

(P) INTANGIBLE ASSETS

(i) Goodwill

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

Goodwill is allocated to CGUs for the purpose of impairment testing. Each of those CGUs represents the Group's investment in a controlled entity or associate.

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

(ii) Brand names

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

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

(iii) Intellectual property

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

(iv) Research and development

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

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

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

(Q) TRADE AND OTHER PAYABLES

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

(R) BORROWINGS

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

(S) FINANCE COSTS

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

(T) PROVISIONS

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

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

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

(U) EMPLOYEE BENEFITS

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the executive share plan ("ESP"), as detailed in the Remuneration Report on pages 37 to 55.

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

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

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

(iv) Profit-sharing and bonus plans

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

(V) ISSUED CAPITAL

Ordinary shares are classified as equity.

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

(W) DIVIDENDS

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

(X) EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(Y) DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps and caps. Further details of derivative financial instruments are disclosed in Note 29. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Impairment of goodwill, other intangible assets and investments

The Group determines on at least an annual basis (and at such other times when indicators of impairment arise) whether goodwill, other intangible assets with indefinite useful lives and investments are impaired. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Notes 1(p) and 17.

(ii) Deferred costs of acquisition

The Group measures the cost of investments with reference to forecast results of the acquired entity. These forecast results are reassessed at least annually with reference to management accounts and projections. The treatment of deferred costs of investment acquisition liabilities is detailed further in Notes 1(i), 19 and 22.

(iii) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The employee benefit expense is then determined with reference to a binomial probability model which includes estimates of the probability factors of an employee meeting employment duration targets and the Group achieving certain performance targets as set annually by the Remuneration and Nominations Committee as detailed in the Remuneration Report on pages 37 to 55.

NOTE 3. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The reportable segments are 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, New Zealand and other countries.

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 described in Note 1.

INTERSEGMENT TRANSFERS

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

BUSINESS SEGMENTS

The following table presents revenue and profit information regarding business segments for the years ended 31 December 2013 and 31 December 2012:

	Advertising, production and media		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 rendered	190,435	181,741	203,020	163,239	–	685	393,455	345,665
Share of net profits of associates	10,936	8,569	1,958	2,628	–	–	12,894	11,197
Other income	1,418	1,732	889	643	3,205	3,231	5,512	5,606
Segment revenue	**202,789**	**192,042**	**205,867**	**166,510**	**3,205**	**3,916**	**411,861**	**362,468**
Segment result	**60,924**	**58,446**	**41,971**	**40,128**	**(7,370)**	**(9,117)**	**95,525**	**89,457**
Depreciation and amortisation expense							(8,423)	(8,561)
Net interest							(11,908)	(11,036)
Profit before income tax							**75,194**	**69,860**
Income tax expense							(13,540)	(15,392)
Net profit							**61,654**	**54,468**
Net profit attributable to:								
– Non-controlling interests							12,198	10,501
– Members of the Parent Entity							**49,456**	**43,967**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 4. REVENUE

		Consolidated Entity	
	Notes	2013 $'000	2012 $'000
(a) Revenue			
Services rendered		393,455	345,665
Interest income			
Associates		23	222
Other entities		1,547	2,674
Total interest income		1,570	2,896
Total revenue		**395,025**	**348,561**
(b) Other income			
Dividends from listed investments		–	13
Other revenue		5,512	5,593
Total other income		**5,512**	**5,606**
(c) Share of net profits of associates accounted for using the equity method			
Equity share of associates' net profits	13(c)	12,894	11,197

NOTE 5. EXPENSES

	Consolidated Entity	
	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses/(gains):		
(a) Depreciation and amortisation expense		
Depreciation and amortisation of non-current assets:		
Plant and equipment	7,863	7,083
Total depreciation of non-current assets	7,863	7,083
Amortisation of non-current assets:		
Intangible assets	560	1,478
Total amortisation of non-current assets	560	1,478
Total depreciation and amortisation expense	**8,423**	**8,561**
(b) Finance costs		
Interest expense – deferred consideration payable	1,793	1,242
Interest expense – other parties	11,685	12,690
Total finance costs	**13,478**	**13,932**
(c) Other (gains)/expenses		
Gain on fair value adjustment on non-current liability (deferred cash settlement)	(2,419)	(1,926)
Acquisition related costs	2,306	1,872
Loss on disposal of plant and equipment	31	23
Foreign exchange (gain)/loss	(280)	170
Superannuation contributions	13,056	10,593
(d) Operating lease rental		
Minimum lease payments	22,808	17,348

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 6. INCOME TAX

	Consolidated Entity	
	2013 $'000	2012 $'000
(a) Income tax expense		
Current tax	17,876	16,363
Deferred tax	(4,381)	(1,015)
Adjustments for current tax of prior periods	45	44
Income tax expense reported in the consolidated statement of profit or loss	**13,540**	**15,392**
(b) Current tax assets and liabilities included in the financial statements		
Current tax liabilities	(6,054)	(9,316)
	(6,054)	**(9,316)**
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**75,194**	**69,860**
Tax at the Australian tax rate of 30% (2012: 30%)	22,558	20,958
Adjustments for current tax of prior periods	45	44
Tax adjustments resulting from equity accounting	(3,868)	(3,359)
Other items allowable for income tax purposes	(5,195)	(2,581)
Amortisation of intangible assets	–	330
Income tax expense reported in the consolidated statement of profit or loss	**13,540**	**15,392**
(d) Tax expense relating to components of other comprehensive income		
Cash flow hedges (refer to Note 27)	344	56

(e) Tax losses

The Group has tax losses arising in Australia of $3,277,873 on revenue account and $3,510,885 on capital account (2012: $4,003,000 on revenue account and $3,009,719 on capital account) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

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

(f) Unrecognised temporary differences

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group's foreign subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiaries, and no such disposal is expected in the foreseeable future.

At 31 December 2013, there is no recognised or unrecognised deferred income tax liability (2012: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability for additional taxation should such amounts be remitted.

(g) Tax consolidation legislation

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

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

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

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

NOTE 7. EARNINGS PER SHARE

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

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

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Net profit attributable to ordinary equity holders of the Company from continuing operations for basic earnings per share	49,456	43,967
Effect of dilution:		
Dilutive adjustments to net profit	–	–
Net profit attributable to ordinary equity holders of the Company for diluted earnings per share	**49,456**	**43,967**
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	400,527,461	362,202,129
Impact of ESP shares where earnings per share growth performance targets have been met	413,438	3,299,625
Weighted average number of ordinary shares for diluted earnings per share	**400,940,899**	**365,501,754**
	Cents	**Cents**
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		
Basic earnings per share	12.35	12.14
Diluted earnings per share	12.34	12.03

Information concerning the classification of securities

Performance shares granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance shares have not been included in the determination of basic earnings per share. Details relating to performance shares are set out in Note 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 8. DIVIDENDS PAID AND PROPOSED

	Consolidated Entity	
	2013 $'000	2012 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2012: 5.0 cents per share (2011: 5.0 cents per share)	20,047	18,139
Interim franked dividend for 2013: 3.3 cents per share (2012: 3.3 cents per share)	13,231	11,972
Dividends paid pursuant to the ESP	57	8
	33,335	**30,119**
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 5.3 cents (2012: 5.0 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend payable on 16 April 2014 (2012: 19 April 2013) out of retained earnings, but not recognised as a liability, is:	**21,403**	**20,191**
Franking credit balance The franked portions of dividends recommended after 31 December 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2014.		
Franking credits available for subsequent years based upon a tax rate of 30%	**13,197**	**22,451**
The above amounts represent the balance of the franking account as at the end of the year, adjusted for: – franking credits that will arise from the payment of the current tax liability; – franking credits that will arise from current dividends receivable; and – franking debits that will arise from the payment of dividends provided at year end.		
Impact on franking account balance of dividends declared but not recognised	**9,173**	**8,653**

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity 2013 $'000	2012 $'000
Cash on hand		261	247
Cash at bank		36,104	39,067
Cash on deposit		6,906	4,327
		43,271	**43,641**
Reconciliation of net profit to net cash flows from operating activities			
Net profit		61,654	54,468
Share of associates' net profits, net of dividends and trust distributions received		(6,215)	(3,551)
Depreciation and amortisation expense		8,423	8,561
ESP expense non-cash		(564)	1,283
Interest expense – deferred consideration payable		1,793	1,242
Loss on disposal of plant and equipment	5(c)	31	23
Gain on fair value adjustment on non-current liability (deferred cash settlement)		(2,419)	(1,926)
Changes in operating assets and liabilities, net of effects of purchase and disposal of controlled entities during the financial year:			
(Increase)/decrease in trade and other receivables		(8,323)	28,144
Increase in other non-current receivables		(2,603)	(325)
Decrease/(increase) in deferred tax assets		969	(482)
Decrease in trade and other payables		(4,026)	(27,712)
Decrease in current income tax payable		(3,383)	(3,994)
Decrease in provisions		(3,731)	(4,581)
(Decrease)/increase in other liabilities		(6,193)	1,431
Net cash flows from operating activities		**35,413**	**52,581**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2013 $'000	2012 $'000
Trade receivables	152,197	139,134
Provision for impairment of receivables	(562)	(871)
	151,635	138,263
Other receivables	17,856	16,195
	169,491	**154,458**

(A) TRADE AND OTHER RECEIVABLES

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

(B) IMPAIRED TRADE RECEIVABLES

As at 31 December 2013, current trade receivables of the Group with a nominal value of $562,000 (2012: $871,000) were impaired. All impaired trade receivables are over 60 days old. The individually impaired receivables mainly relate to customers, who are in an unexpectedly difficult economic situation.

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

	Consolidated Entity	
	2013 $'000	2012 $'000
Balance at the beginning of the year	871	1,568
Impairment losses recognised on receivables	151	925
Amounts written off as uncollectible	(81)	(976)
Impairment losses reversed	(379)	(646)
Balance at the end of the year	**562**	**871**

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

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

(C) PAST DUE BUT NOT IMPAIRED

As at 31 December 2013, trade receivables greater than 60 days of $6,561,000 (2012: $23,641,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	Consolidated Entity	
	2013 $'000	2012 $'000
1 – 30 days	136,243	73,776
31 – 60 days	8,831	40,846
Greater than 60 days	6,561	23,641
	151,635	**138,263**

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

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

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

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in Note 29.

(E) FAIR VALUE AND CREDIT RISK

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

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

The Group does not hold any collateral as security. Refer to Note 29 for more information on the risk management policy of the Group and the credit quality of the Consolidated Entity's trade receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 11. CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated Entity	
	2013 $'000	2012 $'000
Prepayments	5,328	4,975
	5,328	**4,975**

NOTE 12. NON-CURRENT ASSETS – OTHER RECEIVABLES

	Consolidated Entity	
	2013 $'000	2012 $'000
Amounts receivable from associates	16,478	14,149
	16,478	**14,149**

During the year ended 31 December 2013, there were no movements in the provision for impairment of receivables (2012: Nil).

(A) RELATED PARTY RECEIVABLES

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

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

(B) FAIR VALUE

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

(C) RISK EXPOSURE

Information about the Group's exposure to foreign exchange risk, interest rate risk and credit risk is provided in Note 29.

NOTE 13. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Investments in associates	**116,750**	**95,373**

Name	Principal activity	Ownership interest 2013	Ownership interest 2012	Country of incorporation
Amblique Pty Limited	Digital marketing	40%	40%	Australia
Beyond Analysis Australia Pty Limited (i)	Analytics	49%	–	Australia
Bohemia Communications Pty Limited	Media planning	37.5%	37.5%	Australia
Bullseye Group Pty Limited (i)	Digital marketing	40%	–	Australia
Campaigns and Communications Group Pty Limited	Campaign management	20%	20%	Australia
CPR Vision Pte Limited (i)	Digital marketing	40%	–	Singapore
Cru Holdings Pty Limited (i)	Digital marketing	39.2%	–	Australia
Enigma Communication Pty Limited	Advertising	20%	20%	Australia
Evocatif Pty Limited	Communications	49%	49%	Australia
Ewa Heidelberg Pty Limited (formerly i2i Communications Pty Limited)	Dormant	49%	49%	Australia
Feedback ASAP Pty Limited	Mystery shopping	20.4%	20.4%	Australia
Fusion Enterprises Pty Limited (i)	Digital marketing	49%	–	Australia
Houston Group Pty Limited	Branding and design	40%	40%	Australia
Ikon3 LLC	Media planning	20%	20%	United States
Ikon Perth Pty Limited	Media planning	45%	45%	Australia
J. Walter Thompson International Limited (New Zealand)	Advertising	49%	49%	New Zealand
Jamshop Pty Limited	Advertising	40%	40%	Australia
M Media Group Pty Limited and its subsidiaries	Media buying	47.5%	47.5%	Australia
Marketing Communications Holdings Australia Pty Limited and its subsidiaries	Advertising and communications	49%	49%	Australia
Massive Media Pty Limited and its subsidiaries (ii)	Website design and IPTV technology development	–	49%	Australia
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries	Public relations	49%	49%	Australia
Paragon Design Group Pty Limited	Advertising	49%	49%	Australia
Purple Communications Australia Pty Limited	Public relations	44%	44%	Australia
Spinach Advertising Pty Limited	Advertising	20%	20%	Australia
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%	Australia
TCO Pty Limited	Branded content production	40%	40%	Australia
The Origin Agency Pty Limited	Public relations	49%	49%	Australia

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 13. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(A) REPORTING DATES

All associates have prepared accounts as at 31 December 2013 for the purpose of preparing the consolidated financial statements. As such, there is no difference in the reporting dates or periods between the investor and the investees.

(B) PUBLISHED FAIR VALUES

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

(C) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

The following table illustrates summarised information of the investments in associates as at 31 December:

	Consolidated Entity	
	2013 $'000	2012 $'000
Share of associates' statement of financial position		
Current assets	116,858	91,840
Non-current assets	19,718	19,446
Total assets	**136,576**	**111,286**
Current liabilities	88,088	65,716
Non-current liabilities	2,041	4,925
Total liabilities	**90,129**	**70,641**
Net assets	**46,447**	**40,645**
Share of associates' revenue and profits		
Revenue	78,582	74,022
Profits before income tax	18,540	14,915
Income tax expense	(5,646)	(3,718)
Net profit	**12,894**	**11,197**

Summarised financial information in respect of each of the Group's material associates is set out below:

J.W.T Group (Comprising Marketing Communications Holdings Australia Pty Limited and its subsidiaries, J. Walter Thompson International Limited (New Zealand) and Ewa Heidelberg Pty Limited)

	2013 $'000	2012 $'000
Current assets	34,194	28,341
Non-current assets	18,610	18,627
Total assets	**52,804**	**46,968**
Current liabilities	17,902	14,743
Non-current liabilities	878	604
Total liabilities	**18,780**	**15,347**
Net assets	**34,024**	**31,621**

Reconciliation of the above summarised financial information to the carrying amount of the interest in J.W.T Group recognised in the consolidated financial statements is set out below:

	2013 $'000	2012 $'000
Net assets of the associate	34,024	31,621
Proportion of the Group's ownership interest in J.W.T Group	49%	49%
Carrying amount of the Group's interest in J.W.T Group	**16,672**	**15,494**
Dividends received from J.W.T Group	**1,435**	**1,709**
The Group's share of J.W.T Groups' net profit	**2,541**	**2,173**

M Media Group Pty Limited and its subsidiaries ("M Media Group")

	2013 $'000	2012 $'000
Current assets	152,915	122,427
Non-current assets	8,076	7,056
Total assets	**160,991**	**129,483**
Current liabilities	127,130	104,196
Non-current liabilities	300	492
Total liabilities	**127,430**	**104,688**
Net assets	**33,561**	**24,795**

Reconciliation of the above summarised financial information to the carrying amount of the interest in M Media Group recognised in the consolidated financial statements is set out below:

	2013 $'000	2012 $'000
Net assets of the associate	33,561	24,795
Proportion of the Group's ownership interest in M Media Group	47.5%	47.5%
Carrying amount of the Group's interest in M Media Group	**15,941**	**11,778**
Dividends received from M Media Group	**3,484**	**2,550**
The Group's share of M Media Groups' net profit	**7,330**	**5,138**

(D) DIVIDENDS AND TRUST DISTRIBUTIONS RECEIVED

During the year, the Consolidated Entity received dividends and trust distributions of $6,679,249 (2012: $7,646,365) from its associates.

(E) COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 14. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

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

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Listed securities		
Shares in listed entities – at fair value	457	358
Unlisted securities		
Shares in other entities	126	142
	583	**500**

NOTE 15. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated Entity	
Plant and equipment	**2013 $'000**	**2012 $'000**
At cost	61,084	45,013
Accumulated depreciation and amortisation	(27,381)	(19,518)
Total plant and equipment	**33,703**	**25,495**

RECONCILIATIONS

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

At 1 January 2012	**Plant and equipment $'000**	**Total $'000**
At cost	34,252	34,252
Accumulated depreciation and amortisation	(13,426)	(13,426)
Net carrying amount	**20,826**	**20,826**
Year ended 31 December 2012		
Balance at the beginning of the year	20,826	20,826
Additions	8,565	8,565
Acquisition of subsidiary (refer to Note 33)	3,210	3,210
Disposals	(23)	(23)
Disposal of controlled entity (refer to Note 34)	–	–
Depreciation expense	(7,083)	(7,083)
Balance at the end of the year	**25,495**	**25,495**

At 31 December 2012	Plant and equipment $'000	Total $'000
At cost	46,004	46,004
Accumulated depreciation and amortisation	(20,509)	(20,509)
Net carrying amount	**25,495**	**25,495**
Year ended 31 December 2013		
Balance at the beginning of the year	25,495	25,495
Additions	15,873	15,873
Acquisition of subsidiary (refer to Note 33)	1,133	1,133
Disposals	(31)	(31)
Disposal of controlled entity (refer to Note 34)	(904)	(904)
Depreciation expense	(7,863)	(7,863)
Balance at the end of the year	**33,703**	**33,703**
At 31 December 2013		
At cost	62,075	62,075
Accumulated depreciation and amortisation	(28,372)	(28,372)
Net carrying amount	**33,703**	**33,703**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 16. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Provisions	2,448	2,487
Doubtful debts	856	206
Accruals	2,451	2,401
Deferred interest rate hedge	117	461
Tax losses carried forward	2,281	1,843
Other	2,977	3,809
Gross deferred tax assets	**11,130**	**11,207**
Movements		
Opening balance	11,207	9,990
Credited to the consolidated statement of profit or loss	267	1,273
Charged to equity	(344)	(56)
Closing balance	**11,130**	**11,207**

Movements – consolidated	**Provisions $'000**	**Doubtful debts $'000**	**Accruals $'000**	**Deferred interest rate hedge $'000**	**Tax losses carried forward $'000**	**Other $'000**	**Total $'000**
At 1 January 2012	**2,170**	**485**	**1,836**	**517**	**1,040**	**3,942**	**9,990**
Credited/(charged) to the consolidated statement of profit or loss	317	(279)	565	–	803	(133)	1,273
Charged to equity	–	–	–	(56)	–	–	(56)
At 31 December 2012	**2,487**	**206**	**2,401**	**461**	**1,843**	**3,809**	**11,207**
(Charged)/credited to the consolidated statement of profit or loss	(39)	650	50	–	438	(832)	267
Charged to equity	–	–	–	(344)	–	–	(344)
At 31 December 2013	**2,448**	**856**	**2,451**	**117**	**2,281**	**2,977**	**11,130**

NOTE 17. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Goodwill	438,969	429,018
Brand names	57,027	57,027
Intellectual property	9,160	9,488
Total intangible assets	**505,156**	**495,533**

RECONCILIATIONS

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

At 1 January 2012	Goodwill $'000	Brand names $'000	Intellectual property $'000	Total $'000
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 33)	79,653	–	5,781	85,434
Disposals (refer to Note 34)	–	–	–	–
Net exchange differences on translation of financial reports	4,308	–	–	4,308
Movements in the estimate of deferred cash settlement	(2,643)	–	–	(2,643)
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				
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**

Year ended 31 December 2013	Goodwill $'000	Brand names $'000	Intellectual property $'000	Total $'000
Balance at the beginning of the year	429,018	57,027	9,488	495,533
Additions	–	–	649	649
Acquisition of subsidiary (refer to Note 33)	11,847	–	–	11,847
Disposals (refer to Note 34)	(8,445)	–	(417)	(8,862)
Net exchange differences on translation of financial reports	10,977	–	–	10,977
Movements in the estimate of deferred cash settlement	(4,428)	–	–	(4,428)
Amortisation expense	–	–	(560)	(560)
Balance at the end of the year	**438,969**	**57,027**	**9,160**	**505,156**
At 31 December 2013				
At cost	442,236	57,027	12,681	511,944
Accumulated impairment and amortisation	(3,267)	–	(3,521)	(6,788)
Net book value	**438,969**	**57,027**	**9,160**	**505,156**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 17. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

(A) AMORTISATION CHARGE

The amortisation charge of $560,000 (2012: $1,478,000) is recognised in the depreciation and amortisation expense in the consolidated statement of profit or loss.

(B) IMPAIRMENT CHARGE

There was no impairment charge in the consolidated statement of profit or loss for the years ended 31 December 2013 or 31 December 2012.

(C) IMPAIRMENT TESTS FOR CASH GENERATING UNITS

Goodwill is allocated to the Group's cash generating units ("CGUs") at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of a CGU is determined based on a value-in-use calculation using a four year cash flow projection and a terminal value. These calculations use cash flow projections based on financial budgets approved by management for the year ending 31 December 2014. Cash flows beyond 2014 are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted to present values using the weighted average cost of capital.

CGU GROUP ALLOCATION OF INTANGIBLE ASSETS

The Consolidated Entity carrying amount of intangible assets for each of the CGU groups identified is as follows:

	Goodwill		Intangible assets with indefinite life	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Mass communications	141,513	146,962	57,027	57,027
Media and digital asset management	121,900	128,668	–	–
Brand development and management	95,902	85,802	–	–
Specialist communications	79,654	67,586	–	–
Total intangible assets	**438,969**	**429,018**	**57,027**	**57,027**

(D) KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

In performing the value-in-use calculations for each CGU, a discounted cash flow methodology has been utilised which necessarily involves making numerous estimates and assumptions regarding revenue growth, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

The Group has applied the following assumptions to the value-in-use calculations:

- in performing the value-in-use calculations for each CGU, pre-tax discount rates have been applied to discount the forecast future attributable pre-tax cash flows. The rate used to discount the forecast future attributable pre-tax cash flows is 15.5% (2012:15.5%);
- the growth rate used to extrapolate cash flows beyond the budget period is 3.0% (2012: 3.0%); and
- the terminal value is determined based on a 3% growth rate for cash flow from year five onwards for all CGUs.

IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

The calculations of value-in-use are sensitive to the discount rates, the medium-term and long-term growth rates applied to projected cash flows and loss of major customers.

Projected cash flows

The projected cash flows are derived from budgets to be approved by the Directors for the next financial year which reflect the best estimate of the CGU group's cash flows at the time. The budgets are derived from a combination of historical trading performance and expectations of the CGU group based on market and life cycle factors.

If an annual growth rate and terminal rate of 2.1% (2012: 1.5%) was consistently applied across all CGUs, the recoverable amount of the mass communications unit would fall below their carrying value.

Growth and discount rates

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant units.

Discount rates reflect management's estimate of time value of money and the risks specific to each business unit that are not already reflected in the cash flows. In determining appropriate discount rates for each business unit, regard has been given to the weighted average cost of capital of the Group and specific cash generating business risk specific to that business segment. The same discount rate for all business units is considered appropriate. All business segments are based on providing services to similar customers; hence, they have similar levels of market risk.

Management recognises that the actual time value of money may vary to what it has estimated. Management notes that the discount rate would have to increase to 17.6% (2012: 17.6%) (pre tax) for the recoverable amount of the mass communications and brand development and management units valuation to fall below their carrying value all other assumption being equal. The other segments continue to have valuations in excess of the carrying value with these changes.

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 severely impact on the ability of that segment to maintain expected earnings and cash flows. Each major customer would have a different impact on earnings and cash flows, so it is not appropriate to discuss sensitivity on loss of a major customer.

NOTE 18. NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS

	Consolidated Entity	
	2013 $'000	2012 $'000
Prepayments	836	610
	836	**610**

NOTE 19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2013 $'000	2012 $'000
Trade payables	126,174	121,677
Interest rate hedge liabilities (refer to Note 19(d))	391	1,537
Sundry and other payables	25,447	30,066
Amounts payable to other related parties	122	1,638
Deferred cash settlement for controlled entities and associates acquired	9,908	14,373
Deferred income	10,102	12,980
	172,144	**182,271**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES (CONTINUED)

(A) RELATED PARTY PAYABLES

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

(B) TRADE, SUNDRY AND OTHER PAYABLES

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

(C) NET GST PAYABLES

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

(D) INTEREST RATE HEDGE LIABILITIES

The fair value of the interest rate hedge derivatives held at 31 December 2013 was as follows:

	Consolidated Entity	
	2013 $'000	2012 $'000
Total mark to market liability	391	1,537

Interest rate swaps were entered into in January 2011, totalling $50 million with a weighted average interest rate of 5.49% per annum and expiring in January 2014.

On 26 February 2013, the Company entered into an interest rate swap of $40 million at a fixed rate of 3.11% per annum that matures on 1 March 2016.

On 20 June 2013, the Company entered into an interest rate swap of $50 million at a fixed rate of 3.00% per annum that matures on 20 June 2016.

(E) INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to Note 29).

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 2.55% (2012: 3.88%) per annum. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The fixed interest rates range between 3.00% and 5.49% (2012: 5.48% and 5.49%) per annum.

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

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

NOTE 20. CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
Secured – at amortised cost	**2013 $'000**	**2012 $'000**
Bank loans	215	3,208
	215	**3,208**

(A) SECURITY AND FAIR VALUE DISCLOSURES

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in Note 23.

(B) RISK EXPOSURE

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 29.

NOTE 21. CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Employee benefits	**8,239**	**7,089**

NOTE 22. NON-CURRENT LIABILITIES – OTHER PAYABLES

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Deferred cash settlement for controlled entities and associates acquired	25,596	31,523
Sundry and other payables	191	2,084
Amounts payable to associates	16,538	4,175
	42,325	**37,782**

(A) RELATED PARTY PAYABLES

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

(B) SUNDRY AND OTHER PAYABLES

Sundry and other payables are not interest bearing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 23. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
Secured – at amortised cost	**2013 $'000**	**2012 $'000**
Bank loans	172,150	133,009
	172,150	**133,009**

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Available at balance date		
Total facilities – bank loans	235,317	212,926
Used at balance date		
Facilities used at balance date – bank loans	172,365	136,217
Unused at balance date		
Facilities unused at balance date – bank loans	62,952	76,709

(A) SECURED LOANS

(i) Australian core banking facilities

The Company has access to a long-term bilateral bank facility provided by The Hongkong and Shanghai Banking Corporation Limited and Westpac Banking Corporation totalling $253,000,000 (2012: $228,000,000). These facilities are split between a debt facility of $235,000,000 (2012: $210,000,000) and guarantee facility of $18,000,000 (2012: $18,000,000). The maturity profile of these facilities (excluding the $18,000,000 guarantee facility) is outlined below:

	Debt facility amounts $	Date of maturity
	75,000,000	January 2015
	25,000,000	July 2015
	25,000,000	September 2015
	70,000,000	August 2016
	40,000,000	August 2018
Total	**235,000,000**	

Bank facilities totalling $235,000,000 are secured by:

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

(ii) New Zealand banking facilities

During the year ended 31 December 2013, the Company's New Zealand Dollar bank facility provided by ANZ National Bank Limited has been replaced with an overdraft for the amount of AUD$3,000,000. At 31 December 2013, AUD$650,000 of the overdraft has been used. The overdraft is secured by a guarantee and indemnity provided by Ogilvy New Zealand Limited.

(iii) Vietnam banking facilities

The company has access to a Vietnamese Dong bank facility provided by The Hongkong and Shanghai Banking Corporation Limited for the amount of AUD$317,000 (2012: AUD$278,000). Bank loans are secured by a guarantee and indemnity provided by Edge Marketing Vietnam Limited and Pivotal Marketing Vietnam Limited.

(iv) Classification

The loans have been classified as either current or non-current based on the expiry date of the loan facility agreements.

(B) INDEMNITY GUARANTEE FACILITY

The indemnity guarantee facility is in place to support financial guarantees. Specific guarantee amounts are $17,088,408 (2012: $10,040,000) supporting property rental and other obligations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 23. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

(C) ASSETS PLEDGED AS SECURITY

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

	Consolidated Entity	
	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	8,781	14,999
Trade and other receivables	117,361	99,194
Other current assets	15,454	7,460
Total current assets	**141,596**	**121,653**
Non-current assets		
Other receivables	20,614	17,807
Investments accounted for using the equity method	90,198	75,346
Other financial assets	343,070	335,956
Plant and equipment	18,092	17,640
Deferred tax assets	7,219	8,990
Intangible assets	169,204	168,887
Total non-current assets	**648,397**	**624,626**
Total assets	**789,993**	**746,279**

(D) RISK EXPOSURE

Information about the Group's exposure to foreign currency and interest rate changes is provided in Note 29.

NOTE 24. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated Entity	
	2013 $'000	2012 $'000
Accrued income	103	18
Prepayments	89	303
Plant and equipment	–	34
Executive share plan	2,450	6,401
Gross deferred tax liabilities	**2,642**	**6,756**
Movements		
Opening balance	6,756	6,498
(Credited)/charged to the consolidated statement of profit or loss	(4,114)	258
Closing balance	**2,642**	**6,756**

Movements – consolidated	Accrued income $'000	Prepayments $'000	Plant and equipment $'000	ESP $'000	Total $'000
At 1 January 2012	**32**	**9**	**56**	**6,401**	**6,498**
(Credited)/charged to the consolidated statement of profit or loss	(14)	294	(22)	–	258
At 31 December 2012	**18**	**303**	**34**	**6,401**	**6,756**
Charged/(credited) to the consolidated statement of profit or loss	85	(214)	(34)	(3,951)	(4,114)
At 31 December 2013	**103**	**89**	**–**	**2,450**	**2,642**

NOTE 25. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2013 $'000	2012 $'000
Employee benefits	**3,059**	**3,075**

NOTE 26. ISSUED CAPITAL

	2013	2012	2013	2012
	Number of shares	Number of shares	$'000	$'000
Total issued capital*	**400,943,304**	**397,643,679**	**315,240**	**313,829**

* The total issued capital is net of treasury shares held by the Executive Share Plan of 2,885,208 (2012: 6,184,333). The total shares on issue is 403,828,512 (2012: 403,828,512).

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL

	2013	2013	2012	2012
	Number of shares	$'000	Number of shares	$'000
At 1 January	**397,643,679**	**313,829**	**356,146,018**	**274,895**
Shares under the executive share plan	3,299,625	1,411	467,500	402
Issue of new shares	–	–	41,030,161	38,532
At 31 December	**400,943,304**	**315,240**	**397,643,679**	**313,829**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 26. ISSUED CAPITAL (CONTINUED)

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL (CONTINUED)

Terms and conditions of ordinary shares

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

Share buy-backs

There were no share buy-backs during the year ended 31 December 2013.

(B) CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Company is monitored using the following measures:

— net debt to EBITDA ratio. Net debt is calculated as total interest bearing liabilities, plus deferred cash settlement, less cash and cash equivalents. EBITDA is defined as underlying statutory consolidated earnings before interest, tax, depreciation and amortisation and is adjusted for specific items of a non-recurring nature; and
— net debt to net debt plus equity ratio. Equity is defined as total equity of the Group.

The net debt to EBITDA and net debt to net debt plus equity ratios for the Group at 31 December 2013 and 31 December 2012 were as follows:

	Consolidated Entity	
	2013 $'000	2012 $'000
Total borrowings	172,365	136,217
Add: deferred cash settlement for controlled entities and associates acquired	35,504	45,896
Less: cash and cash equivalents	(43,271)	(43,641)
Net debt	164,598	138,472
EBITDA	95,525	89,457
Equity	495,898	463,435
Net debt to EBITDA ratio	1.72	1.55
Net debt to net debt plus equity ratio	24.92%	23.00%

NOTE 27. RESERVES

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Equity settled share-based payment reserve	178	2,153
Transactions with non-controlling interests reserve	5,149	5,149
Brand name revaluation reserve	16,275	16,275
Interest rate hedge reserve	(274)	(1,076)
Foreign currency translation reserve	5,900	(4,288)
Closing balance	**27,228**	**18,213**
Movements		
Equity settled share-based payment reserve		
Opening balance	2,153	1,272
Cost of share-based payments	(564)	1,283
Issue of executive share plan shares	(1,411)	(402)
Closing balance	**178**	**2,153**
Transactions with non-controlling interests reserve		
Opening balance	5,149	–
Gain on disposal of subsidiary without loss of control	–	5,149
Closing balance	**5,149**	**5,149**
Interest rate hedge reserve		
Opening balance	(1,076)	(1,206)
Gain on cash flow hedges taken to equity	1,146	186
Deferred tax	(344)	(56)
Closing balance	**(274)**	**(1,076)**
Foreign currency translation reserve		
Opening balance	(4,288)	(7,072)
Movement in reserve on disposal of foreign operations	(523)	–
Exchange gain arising on translation of foreign operations	10,711	2,784
Closing balance	**5,900**	**(4,288)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 27. RESERVES (CONTINUED)

NATURE AND PURPOSE OF RESERVES

(i) Equity settled share-based payment reserve

The equity settled share-based payments reserve is used to recognise the amortised portion of the fair value of share rights issued but not exercised.

(ii) Transactions with non-controlling interests reserve

The transactions with non-controlling interest reserve is used to record the differences described in Note 1(c)(iii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iii) Brand name revaluation reserve

The brand name revaluation reserve was used to record the net upward revaluation of acquired brand names. There will be no further additions to this reserve.

(iv) Interest rate hedge reserve

The interest rate hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 1(y). Amounts are reclassified to the consolidated statement of profit or loss when the associated hedged transaction affects the consolidated statement of profit or loss.

(v) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 1(e). The foreign currency translation reserve is recognised in the consolidated statement of profit or loss after disposal of the net investment.

NOTE 28. RETAINED EARNINGS

	Consolidated Entity	
	2013 $'000	2012 $'000
Opening balance	90,649	76,801
Net profit	49,456	43,967
Dividends provided for or paid	(33,335)	(30,119)
Closing balance	**106,770**	**90,649**

NOTE 29. FINANCIAL INSTRUMENTS

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

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

(A) MARKET RISK

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

(i) Foreign exchange risk

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

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

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

- New Zealand Dollar;
- United States Dollar;
- Singaporean Dollar;
- Canadian Dollar;
- Malaysian Ringgit;
- British Pound;
- Thai Baht;
- Euro;
- Hong Kong Dollar;
- South African Rand;
- Indian Rupee;
- Russian Rouble; and
- Indonesian Rupiah.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

(A) MARKET RISK (CONTINUED)

(i) Foreign exchange risk (continued)

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

31 December 2013	2013 NZD	2013 USD	2013 SGD	2013 CAD	2013 MYR	2013 GBP	2013 THB	2013 EUR	2013 HKD	2013 ZAR	2013 INR
Financial assets	–	874	–	–	–	–	–	195	–	460	596
Financial liabilities	(3)	(200)	–	–	–	(7)	–	(2)	(165)	–	–
	(3)	**674**	**–**	**–**	**–**	**(7)**	**–**	**193**	**(165)**	**460**	**596**

31 December 2012	2012 NZD	2012 USD	2012 SGD	2012 CAD	2012 MYR	2012 GBP	2012 THB	2012 EUR	2012 HKD	2012 ZAR	2012 INR
Financial assets	–	2,559	432	617	243	10	3,798	573	–	513	–
Financial liabilities	–	(164)	–	–	–	–	–	(6)	–	–	–
	–	**2,395**	**432**	**617**	**243**	**10**	**3,798**	**567**	**–**	**513**	**–**

Sensitivity

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

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

	Movement in foreign currency	Impact to post-tax profit 2013 $'000 AUD	Impact to post-tax profit 2012 $'000 AUD
New Zealand Dollar (NZD)	+ 10%/- 10%	–	–
US Dollar (USD)	+ 10%/- 10%	53	231
Singaporean Dollar (SGD)	+ 10%/- 10%	–	34
Canadian Dollar (CAD)	+ 10%/- 10%	–	60
Malaysian Ringgit (MYR)	+ 10%/- 10%	–	8
British Pound (GBP)	+ 10%/- 10%	(1)	2
Thai Baht (THB)	+ 10%/- 10%	–	12
Euro (EUR)	+ 10%/- 10%	21	72
Hong Kong Dollar (HKD)	+ 10%/- 10%	(2)	–
South African Rand (ZAR)	+ 10%/- 10%	3	6
Indian Rupee (INR)	+ 10%/- 10%	1	–
Russian Rouble (RUB)	+ 10%/- 10%	–	–
Indonesian Rupiah (IDR)	+ 10%/- 10%	–	–
Total		**75**	**425**

(ii) Interest rate risk

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

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

These interest rate hedges are repriced on a quarterly basis in advance and settled on a quarterly basis in arrears. The floating rate on the interest rate derivatives is based on the Australian BBSY and BBSW. The Group settles the difference between the fixed and floating interest rate on a net basis.
At 31 December 2013, the interest rate hedges were marked to market and gave rise to a mark to market liability at that date of $391,000 (2012: $1,537,000) (refer to Note 19(d)).

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

As at the reporting date, the Group had the following variable rate borrowings:

Consolidated Entity	2013 Weighted average interest rate % p.a.	2013 Balance $'000	2012 Weighted average interest rate % p.a.	2012 Balance $'000
Secured bank loans	2.55%	172,365	3.88%	136,217
Interest rate swaps (notional principal amount)	3.92%	(140,000)	5.49%	(50,000)
Net exposure to cash flow interest rate risk		**32,365**		**86,217**

Interest rate swaps were entered into in January 2011, totalling $50 million with a weighted average interest rate of 5.49% per annum and expiring in January 2014.

On 26 February 2013, the Company entered into an interest rate swap of $40 million at a fixed rate of 3.11% per annum that matures on 1 March 2016.

On 20 June 2013, the Company entered into an interest rate swap of $50 million at a fixed rate of 3.00% per annum that matures on 20 June 2016.

Sensitivity

At 31 December 2013, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $227,000 lower/higher (2012: change of 100 basis points: $604,000 lower/higher) mainly as a result of higher/lower interest expense on borrowings. Equity would have been $227,000 lower/higher (2012: $604,000 lower/higher). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

(B) CREDIT RISK

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

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

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

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

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

(C) LIQUIDITY RISK

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

MATURITIES OF FINANCIAL LIABILITIES

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

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2013	**≤6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives							
Trade and other payables (excluding deferred cash settlement and derivatives below)	161,845	–	16,729	–	–	178,574	178,574
Deferred cash settlement	9,753	464	13,121	15,451	–	38,789	35,504
Secured bank loans	–	215	125,000	47,150	–	172,365	172,365
Total non-derivatives	**171,598**	**679**	**154,850**	**62,601**	**–**	**389,728**	**386,443**
Derivatives							
Net settled (interest rate swaps)	391	–	–	–	–	391	391

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2012	**≤6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives							
Trade and other payables (excluding deferred cash settlement and derivatives below)	166,361	–	6,259	–	–	172,620	172,620
Deferred cash settlement	9,452	6,531	8,187	22,791	2,511	49,472	45,896
Secured bank loans	–	3,208	–	133,009	–	136,217	136,217
Total non-derivatives	**175,813**	**9,739**	**14,446**	**155,800**	**2,511**	**358,309**	**354,733**
Derivatives							
Net settled (interest rate swaps)	1,537	–	–	–	–	1,537	1,537

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

(D) FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

The Group holds the following financial instruments:

	Consolidated Entity		Consolidated Entity	
	Carrying Amount		Fair Value	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial assets				
Cash and cash equivalents	43,271	43,641	43,271	43,641
Trade and other receivables	185,969	168,607	185,969	168,607
Other financial assets	583	500	583	500
	229,823	**212,748**	**229,823**	**212,748**
Financial liabilities				
Trade and other payables (excluding deferred cash settlement and derivatives)	178,574	172,620	178,574	172,620
Deferred cash settlement	35,504	45,896	35,504	45,896
Secured bank loans	172,365	136,217	172,365	136,217
Derivative financial instruments	391	1,537	391	1,537
	386,834	**356,270**	**386,834**	**356,270**

(i) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities measured and recognised at fair value at 31 December 2013 were based on the following fair value measurement hierarchy:

(a) Level 1 – shares in listed entities

Shares in listed entities are fair valued with reference to the market price on the New Zealand stock exchange as at 31 December 2013;

(b) Level 2 – interest rate hedge reserve

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

(c) Level 3 – deferred cash settlement and shares in other entities

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. 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 shares in other entities have been disclosed at historical cost which is approximate of the fair value.

Recognised fair value measurements

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

As at 31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	457	–	–	457
Shares in other entities	–	–	126	126
Total assets	**457**	**–**	**126**	**583**
Liabilities				
Derivatives used for hedging	–	(391)	–	(391)
Deferred cash settlement	–	–	(35,504)	(35,504)
Total liabilities	**–**	**(391)**	**(35,504)**	**(35,895)**

As at 31 December 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	358	–	–	358
Shares in other entities	–	–	142	142
Total assets	**358**	**–**	**142**	**500**
Liabilities				
Derivatives used for hedging	–	(1,537)	–	(1,537)
Deferred cash settlement	–	–	(45,896)	(45,896)
Total liabilities	**–**	**(1,537)**	**(45,896)**	**(47,433)**

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

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

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

The following table presents the changes in level 3 instruments for the years ended 31 December 2013 and 31 December 2012:

	Unlisted equity securities $'000	Deferred cash settlement $'000	Total $'000
Opening balance 1 January 2013	142	(45,896)	(45,754)
Deferred cash settlement payments made	–	16,810	16,810
Acquisition of subsidiaries and associates	–	(10,080)	(10,080)
Gain on fair value adjustment on non-current liability recognised in other income	–	2,419	2,419
Fair value adjustment on non-current liability recognised in the consolidated statement of financial position	–	3,200	3,200
Interest expense – deferred consideration payable	–	(1,793)	(1,793)
Other	(16)	(164)	(180)
Closing balance 31 December 2013	**126**	**(35,504)**	**(35,378)**
Opening balance 1 January 2012	182	(21,871)	(21,689)
Deferred cash settlement payments made	–	2,751	2,751
Acquisition of subsidiaries and associates	–	(30,111)	(30,111)
Gain on fair value adjustment on non-current liability recognised in other income	–	1,926	1,926
Fair value adjustment on non-current liability recognised in the consolidated statement of financial position	–	2,918	2,918
Interest expense – deferred consideration payable	–	(1,242)	(1,242)
Other	(40)	(267)	(307)
Closing balance 31 December 2012	**142**	**(45,896)**	**(45,754)**

Valuation inputs and relationships to fair value

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

Description	Fair value at 31 Dec 2013 $000	Unobservable inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Deferred cash settlement	$35,504	Risk-adjusted discount rate	Discount rate which reflects the weighted average interest rate of secured bank loans.	An increase in the discount rate by 100 bps would decrease the fair value by $526,374. A decrease in the discount rate by 100 bps would increase the fair value by $544,454.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $3,589,280. If expected cash flows were 5% lower, the fair value would decrease by $3,347,655.

(E) CAPITAL RISK

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This is achieved by maintaining a flexible financing structure to be able to fund capital expenditure, new acquisitions and additional amounts payable in respect of past acquisitions and to pay dividends. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of the Group's consolidated statement of financial position in the longer term through proactive capital management programs.

Borrowing facilities are maintained with the Group's bankers that are sufficient to meet contractual cash obligations arising in the ordinary course of business, details of which are set out in Notes 20, 23 and 29. The existing borrowing facilities are subject to various debt covenants.

NOTE 30. SHARE-BASED PAYMENTS

On 25 May 2004, the Company's shareholders approved the creation of the ESP. The ESP allows the Directors to allocate up to 5% of the ordinary issued shares in the Company to executives ("performance shares").

The ESP structure has been in operation since 31 December 2004.

As at 31 December 2013, 2,885,208 (2012: 6,184,833) performance shares in the Company have been issued to the STW Executive Share Plan Trust. The trust holds the performance shares and all rights and entitlements attaching to the performance shares on the executives' behalf.

The table below represents the total number of ESP performance shares allocated to executives that will vest subject to the achievement of performance conditions, as determined by the Remuneration and Nominations Committee. The performance conditions are tested over a 3 year period, based on average compounded annual growth in EPS and STW's TSR performance compared to the TSR performance of the companies in the S&P/ASX All Ordinaries - ASX Consumer Discretionary index. Any performance shares for which the relevant performance condition is not satisfied will lapse. Any performance shares that do not vest over the performance period will be forfeited. The number of performance shares allocated under the plans are as at the date of this report and the number of shares allocated may vary subject to executives forfeiting their rights to the performance shares.

Fair value of performance shares granted

The assessed value at grant date of performance shares granted during the year ended 31 December 2013 was $0.90 (2012: $0.61).

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

The model inputs for performance shares granted during the year ended 31 December 2013 included:

- performance rights are granted for no consideration;
- exercise price: $0;
- grant date: January 2013 (2012: January 2012);
- expiry date: March 2016 (2012: March 2015);
- share price at grant date: 2013: $1.10 (2012: $0.85);
- expected price volatility of the Company shares: 2013: 33% (2012: 33%);
- expected dividend yield: 2013: 7% (2012: 9%); and
- risk-free interest rate: 2013: 3.5 % (2012: 3.79%).

The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

EXECUTIVE SHARE PLAN

Grant date	Date exercisable	Plan	Performance testing range	Fair value price	Balance at the start of the year	Granted during the year	Forfeited during the year	Vested and exercised during the year	Balance at the end of the year	Exercisable post year-end
					Number	Number	Number	Number	Number	Number
Consolidated – 2013										
January 2010	1 Mar 13	Base Plan	2010-2012	$0.58	3,087,000	–	–	(3,087,000)	–	–
January 2010	1 Mar 13	Overperformance Plan	2010-2012	$0.58	212,625	–	–	(212,625)	–	–
January 2011	1 Mar 14	Base Plan	2011-2013	$0.86	1,130,000	–	(716,562)	–	413,438	413,438
January 2011	1 Mar 14	Overperformance Plan	2011-2013	$0.86	211,875	–	(211,875)	–	–	–
January 2012	1 Mar 15	Base Plan	2012-2014	$0.61	1,410,000	–	(290,000)	–	1,120,000	–
January 2012	1 Mar 15	Overperformance Plan	2012-2014	$0.61	264,375	–	(54,375)	–	210,000	–
January 2013	1 Mar 16	Base Plan	2013-2015	$0.90	–	1,656,974	(160,900)	–	1,496,074	–
January 2013	1 Mar 16	Overperformance Plan	2013-2015	$0.90	–	310,682	(30,168)	–	280,514	–
Total					**6,315,875**	**1,967,656**	**(1,463,880)**	**(3,299,625)**	**3,520,026**	**413,438**

Grants of performance shares to the CEO are subject to shareholder approval. Accordingly, for the CEO, the date indicated in this column is the effective grant date only – the actual grant date for the CEO's entitlements was the date of the AGM in the relevant year.

Total expense from share-based payment transactions recognised during the year as part of employee benefit (credit)/expense was ($564,000) (2012: $1,283,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 31. KEY MANAGEMENT PERSONNEL ("KMP") DISCLOSURES

The following persons were the Directors of the Company during the year ended 31 December 2013:

Chairman
Robert Mactier

Chief Executive Officer and Executive Director
Michael Connaghan
Peter Cullinane

Non-executive Directors
Paul Richardson
Ian Tsicalas
Graham Cubbin
Kim Anderson.

Other KMP

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity during the financial year:

Name	Position	Employer
Chris Savage	Chief Operating Officer	STW Communications Group Limited
Lukas Aviani	Chief Financial Officer	STW Communications Group Limited

All of the above KMP were also KMP during the year ended 31 December 2012.

KMP compensation

The aggregate compensation made to KMP excluding Non-executive Directors of the Company and the Group is set out below:

	Consolidated Entity	
	2013 $	2012 $
Short-term employee benefits	2,632,198	2,948,928
Post-employment benefits	66,792	47,325
Share-based benefits	92,497	599,551
Total for KMP	**2,791,487**	**3,595,804**

EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Performance shares

The number of performance shares in the Company held during the year by each Director of the Company and other KMP of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year	Exercisable post year-end	Unvested
2013							
Director							
Michael Connaghan	1,477,125	412,000	(942,750)	(112,500)	833,875	65,625	768,250
Other KMP							
Chris Savage	875,125	235,000	(471,375)	(112,500)	526,250	65,625	460,625
Lukas Aviani	433,725	110,000	(219,975)	(60,000)	263,750	35,000	228,750

Name	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year	Exercisable post year-end	Unvested
2012							
Director							
Michael Connaghan	1,246,875	356,250	–	(126,000)	1,477,125	942,750	534,375
Other KMP							
Chris Savage	811,500	225,625	(99,000)	(63,000)	875,125	471,375	403,750
Lukas Aviani	344,375	118,750	–	(29,400)	433,725	219,975	213,750

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 31. KEY MANAGEMENT PERSONNEL ("KMP") DISCLOSURES (CONTINUED)

EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL (CONTINUED)

(ii) Ordinary shares

The numbers of shares in the Company held during the year by each Director of the Company and other KMP of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Vested during the year as compensation	Acquisition of shares	Disposal of shares	Balance at the end of the year
2013					
Directors					
Robert Mactier	577,964	–	–	–	577,964
Paul Richardson	–	–	–	–	–
Ian Tsicalas	65,463	–	–	–	65,463
Graham Cubbin	100,000	–	–	–	100,000
Michael Connaghan	54,333	942,750	–	(997,083)	–
Peter Cullinane	34,500	–	–	–	34,500
Kim Anderson	–	–	–	–	–
Other KMP					
Chris Savage	9,375	471,375	–	(480,750)	–
Lukas Aviani	99,119	219,975	–	(319,094)	–

Name	Balance at the start of the year	Vested during the year as compensation	Acquisition of shares	Disposal of shares	Balance at the end of the year
2012					
Directors					
Robert Mactier	562,500	–	15,464	–	577,964
Paul Richardson	–	–	–	–	–
Ian Tsicalas	50,000	–	15,463	–	65,463
Graham Cubbin	100,000	–	–	–	100,000
Michael Connaghan	838,870	–	15,463	(800,000)	54,333
Peter Cullinane	34,500	–	–	–	34,500
Kim Anderson	–	–	–	–	–
Other KMP					
Chris Savage	121,875	99,000	–	(211,500)	9,375
Lukas Aviani	95,356	–	15,463	(11,700)	99,119

NOTE 32. RELATED PARTY DISCLOSURES

(A) ULTIMATE PARENT ENTITY

The ultimate parent entity within the Group is STW Communications Group Limited.

(B) TRANSACTIONS WITH KMP

Refer to Note 31 for details of transactions with KMP.

(C) SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the controlled entities as listed in Note 37. The Company is the parent entity of the Consolidated Entity.

Transactions between the Company and other entities in the wholly-owned group during the years ended 31 December 2013 and 2012 consisted of:

— loans advanced by/repaid to the Company;
— loans advanced to/repaid by the Company;
— the payment of interest on the above loans;
— the payment of dividends and trust distributions to the Company; and
— the provision of accounting and administrative assistance.

With the exception of interest-free loans provided by the Company, all other transactions were on commercial terms and conditions.

(D) ASSOCIATES AND OTHER RELATED PARTIES

All material ownership interests in associates are disclosed in Note 13.

The Consolidated Entity and associates maintain loan accounts, which can fluctuate throughout the year. There are no fixed terms of repayment on these amounts, some of which attract interest at commercial rates. Interest income recognised in the year to 31 December 2013 was $23,000 (2012: $222,000). Amounts owing by and to associates are set out in Notes 12 and 22, respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 33. BUSINESS COMBINATIONS

(A) SUMMARY OF MATERIAL ACQUISITIONS

DURING THE YEAR ENDED 31 DECEMBER 2013

On 1 January 2013, STW Group Asia Holdings Pte Limited ("SGA") acquired 75% of Antics International Holdings Limited ("Antics"). Antics is a digital media agency with offices in Malaysia, Indonesia and Singapore.

On 1 July 2013, STW Media Services Pty Limited ("SMS") acquired 80% of Colmar Brunton Pty Limited ("Colmar Brunton"). Colmar Brunton is a full service market research business with offices in Sydney, Melbourne, Canberra, Adelaide and Brisbane.

On 1 July 2013, SMS acquired an additional 85% of Human Communications Pty Limited ("Human"), thereby increasing SMS's ownership to 100%. Human is a full service advertising agency which operates out of Sydney.

DURING THE YEAR ENDED 31 DECEMBER 2012

On 1 January 2012, STW Group Investments Pte Limited ("SGI") acquired 100% of Edge Marketing 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, SGA acquired 100% of Buchanan Group Holdings Pte Limited ("Buchanan"). Buchanan is a full service advertising agency which operates out of Canada, the United Kingdom, Malaysia, Singapore and Australia.

On 1 July 2012, SMS acquired 70% of Picnic Software Pty Limited ("Picnic"). Picnic is a production software company which operates out of Melbourne.

On 1 July 2012, SMS acquired 80% of Maverick Marketing and Communications Pty Limited ("Maverick"). Maverick is an experiential marketing and public relations agency which operates out of Sydney.

On 1 July 2012, SMS acquired 100% of Markitforce Group Pty Limited ("Markitforce"). Markitforce is a point of sale management, product fulfilment, warehousing and distribution services company which operates out of Sydney, Melbourne, Brisbane, Adelaide, Perth and Auckland.

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

On 1 July 2012, Singleton, Ogilvy & Mather (Holdings) Pty Limited ("SOM Holdings") acquired 51% of Ogilvy Action 2012 Pty Limited ("Ogilvy Action 2012"). STW Communications Group Limited holds a 66.67% share in SOM Holdings. Ogilvy Action 2012 is a market research and advertising agency specific to the retail industry which operates out of Sydney.

On 10 September 2012, SMS acquired 75% of Switched On Media Pty Limited ("Switched On Media"). Switched On Media is a full service digital marketing agency which operates out of Sydney.

On 1 December 2012, SGA acquired 60% of Aleph Pte Limited ("Aleph"). Aleph is a digital strategy, design and innovation agency which operates out of Singapore.

		Consolidated Entity	
	Notes	2013 $'000	2012 $'000
Purchase consideration:			
Deferred/contingent consideration		9,044	28,933
Fair value – equity accounted interest		–	9,596
Cash paid in the current period	33(c)	4,979	53,254
Total purchase consideration		**14,023**	**91,783**
Fair value of net identifiable assets acquired	33(b)	2,176	12,130
Goodwill acquired		**11,847**	**79,653**

The acquired businesses contributed revenues of $26,548,761 and net profit of $2,068,138 to the Group for the period from 1 January 2013 to 31 December 2013. The contributed revenues and net profit would not have been materially different if control over these entities had all been achieved on 1 January 2013.

The goodwill acquired is attributable to the high profitability of the acquired businesses and synergies expected to arise after the Company's acquisition of the new controlled entities. At the dates of acquisition of the various entities, the carrying value of the assets and liabilities acquired approximated their fair value. The methods used in determining the fair value of assets and liabilities acquired are summarised in Notes 1(i) and 1(n).

(B) ASSETS AND LIABILITIES ACQUIRED

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

	Consolidated Entity	
	2013 $'000	2012 $'000
Fair value of net assets acquired		
Current assets		
Cash and cash equivalents	(1,058)	7,577
Trade and other receivables	5,963	15,616
Prepayments	–	219
Current tax receivables	16	–
Other current assets	–	5,406
Non-current assets		
Plant and equipment	1,133	3,210
Trademarks	–	5,781
Deferred tax assets	841	–
Other non-current assets	250	801
Current liabilities		
Trade and other payables	(1,277)	(7,356)
Current tax liabilities	–	(873)
Current provisions	(1,621)	(1,740)
Other current liabilities	(1,411)	(14,304)
Non-current liabilities		
Borrowings	–	(1,213)
Other non-current liabilities	(155)	(16)
Net assets	**2,681**	**13,108**
Non-controlling interests in net assets acquired	(505)	(978)
Net identifiable assets acquired	**2,176**	**12,130**

(C) PURCHASE CONSIDERATION

		Consolidated Entity	
Outflow of cash to acquire controlled entities, net of cash acquired	**Notes**	**2013 $'000**	**2012 $'000**
Cash consideration paid	33(a)	4,979	53,254
Cash balances acquired	33(b)	1,058	(7,577)
Outflow of cash		**6,037**	**45,677**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 34. DISPOSALS

During the financial year, the Company disposed of its interest in Haines NZ Limited. The effective date of the transaction was 1 January 2013.

	Consolidated Entity	
	2013 $'000	2012 $'000
(a) Consideration received		
Consideration received in cash and cash equivalents	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	–
Investments accounted for using the equity method	15	–
Plant and equipment	904	–
Deferred tax assets	23	–
Goodwill	8,445	–
Other intangible assets	417	–
Current liabilities		
Trade creditors	(562)	–
Other current payables	(2)	–
Provision for annual leave	(43)	–
Disposal of net assets	**11,089**	**–**
(c) Loss on disposal of subsidiary		
Consideration received in cash and cash equivalents	381	–
Disposal of net assets	(11,089)	–
Foreign currency translation reserve	(523)	–
Charged to impairment provision	11,231	–
Loss on disposal	**–**	**–**
(d) Net cash outflow on disposal of subsidiary		
Consideration received in cash and cash equivalents	381	–
Cash and cash equivalent balances disposed of	(489)	–
Net cash outflow on disposal	**(108)**	**–**

During the year ended 31 December 2012, SMS disposed of a 33.33% equity interest in DT Digital Pty Limited. The proceeds received by SMS were $5.1 million. The gain on sale as a result of this transaction was $3.1 million (less the associated income tax expense).

During the year ended 31 December 2012, SMS disposed of a 10% equity interest in Haylix Pty Limited.

(e) Transactions with non-controlling interests

There were no transactions with non-controlling interests in 2013.

The effect of changes in the ownership interest of DT Digital Pty Limited on the equity attributable to owners of the Company during the 2012 financial year is summarised as follows:

	Consolidated Entity	
	2013 $'000	2012 $'000
Carrying amount of non-controlling interest disposed	–	(113)
Consideration received from non-controlling interests	–	5,262
Excess of consideration received recognised in the transactions with non-controlling interests reserve within equity	**–**	**5,149**

NOTE 35. EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2013, the Group had no commitments for expenditure (2012: $Nil).

(B) OPERATING LEASE COMMITMENTS

The Group leases various offices with terms of between one and ten years and renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases. There are no contingent rentals payable. No assets under operating leases have been sublet to third parties.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2013 are as follows:

	Consolidated Entity	
	2013 $'000	2012 $'000
Within one year	21,739	16,584
Later than one year and not later than five years	57,909	45,641
Later than five years	18,067	24
	97,715	**62,249**
Share of associates' operating lease commitments	**3,645**	**2,119**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 36. CONTINGENT LIABILITIES

The Consolidated Entity had contingent liabilities in respect of:

		Consolidated Entity	
	Notes	2013 $'000	2012 $'000
Bank guarantees	36(b)	17,088	10,040
		17,088	**10,040**

(A) LEGAL AND REGULATORY PROCEEDINGS

The Group has been involved from time to time in various claims and proceedings arising from the conduct of its business. There are currently no claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Group's financial position. The Group maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

(B) GUARANTEES

The Company has provided various bank guarantees for rental premises totalling $17,088,408 (2012: $10,040,000) on behalf of various controlled entities and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities and associates do not meet their obligations under the terms of the lease agreements.

Bank facilities totalling $235,000,000 (2012: $210,000,000) are secured by a cross guarantee and indemnity by and between the Company and Singleton Ogilvy & Mather (Holdings) Pty Limited and its wholly-owned controlled entities, as outlined in Note 23.

Cross guarantees given by STW Communications Group Limited are described in Note 38.

NOTE 37. SUBSIDIARIES

The consolidated financial statements include the financial statements of STW Communications Group Limited and its controlled entities listed in the following table:

	Type of share/unit	Ownership interest 2013	Ownership interest 2012	Country of incorporation/ formation
– Belshaw Pty Limited *	Ordinary	100%	100%	Australia
– Hoed Holdings Pty Limited *	Ordinary	100%	100%	Australia
– Ogilvy Interactive Pty Limited *	Ordinary	100%	100%	Australia
– Singleton Direct Pty Limited *	Ordinary	100%	100%	Australia
– STW Investments Pty Limited *	Ordinary	100%	100%	Australia
– Singleton Holdings Pty Limited and its controlled entities *	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (Holdings) Pty Limited and its controlled entities	Ordinary	66.67%	66.67%	Australia
– Barton Deakin Pty Limited	Ordinary	75%	75%	Australia
– Bento Productions Pty Limited (formerly Plush Films Pty Limited)	Ordinary	53%	53%	Australia
– Hawker Britton Group Pty Limited (i)	Ordinary	100%	100%	Australia
– Neo@Ogilvy Pty Limited (formerly Red Temple Pty Limited)	Ordinary	100%	100%	Australia
– Octopus Holdings No. 1 Pty Limited and its controlled entity	Ordinary	100%	100%	Australia
– Octopus Communications Pty Limited	Ordinary	100%	100%	Australia
– OgilvyAction Pty Limited	Ordinary	100%	100%	Australia
– Ogilvy Action 2012 Pty Limited	Ordinary	51%	51%	Australia
– Red Card Communications Pty Limited	Ordinary	100%	100%	Australia
– Red Tape Commercials Pty Limited	Ordinary	100%	100%	Australia
– Singleton OgilvyInteractive Pty Limited	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (NZ) Limited and its controlled entity	Ordinary	100%	100%	New Zealand
– Ogilvy New Zealand Limited	Ordinary	85%	85%	New Zealand
– Ogilvy & Mather (Sydney) Pty Limited (formerly Singleton Ogilvy & Mather (Sydney) Pty Limited) and its controlled entities	Ordinary	100%	100%	Australia
– Ethnic Communications Pty Limited	Ordinary	100%	100%	Australia
– Singleton OgilvyOne Pty Limited (formerly OgilvyOne Pty Limited)	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (Melbourne) Pty Limited (formerly Ogilvy & Mather (Melbourne) Pty Limited)	Ordinary	100%	100%	Australia
– The Ogilvy Group Superannuation Pty Limited	Ordinary	100%	100%	Australia
– Star Advertising Pty Limited	Ordinary	100%	100%	Australia

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 37. SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2013	Ownership interest 2012	Country of incorporation/ formation
– STW Media Pty Limited and its controlled entities *	Ordinary	100%	100%	Australia
– Ikon Communications Pty Limited *	Ordinary	100%	100%	Australia
– SBS Asia Pacific Pty Limited and its controlled entity	Ordinary	100%	100%	Australia
– New Dialogue Pty Limited	Ordinary	100%	100%	Australia
– STW Media Services Pty Limited and its controlled entities *	Ordinary	100%	100%	Australia
– Adcast Technology Unit Trust *	Ordinary	100%	100%	Australia
– Added Value Australia Pty Limited	Ordinary	51%	51%	Australia
– AMR Interactive Group Pty Limited and its controlled entities *	Ordinary	100%	100%	Australia
– Assignment Group Australia Pty Limited (formerly STW Village Pty Limited) *	Ordinary	100%	100%	Australia
– Buchanan Advertising (Australia) Pty Limited (i)	Ordinary	100%	100%	Australia
– Catalyst Advertising Pty Limited	Ordinary	75%	75%	Australia
– Colmar Brunton Pty Limited (i)	Ordinary	80%	–	Australia
– Customer Brand Services Pty Limited ATF CBS Marketing Services Unit Trust *	Ordinary	100%	100%	Australia
– Green Five Pty Limited and its controlled entities	Ordinary	90%	90%	Australia
– DT Digital Pty Limited	Ordinary	66.67%	66.67%	Australia
– Hatch Entertainment Pty Limited	Ordinary	100%	100%	Australia
– Haylix Pty Limited (formerly Brighthost Pty Limited)	Ordinary	90%	90%	Australia
– Human Communications Pty Limited	Ordinary	100%	15%	Australia
– iCRE8 Pty Limited	Ordinary	51%	51%	Australia
– Ikon Communications (Melbourne) Pty Limited	Ordinary	80%	80%	Australia
– I.M. Advertising Pty Limited	Ordinary	70%	70%	Australia
– Issues & Images Holdings Pty Limited and its controlled entities *	Ordinary	100%	100%	Australia
– The Issues & Images Group Pty Limited *	Ordinary	100%	100%	Australia
– Badjar Ogilvy Unit Trust and its controlled entities	Ordinary	67%	67%	Australia
– Stacke Services Pty Limited *	Ordinary	100%	100%	Australia
– Canning Advisory Services Pty Limited and its controlled entities	Ordinary	80%	80%	Australia
– Canning Corporate Communication Pty Limited	Ordinary	100%	100%	Australia
– Savage & Partners Pty Limited	Ordinary	100%	100%	Australia
– Cornwell Design Pty Limited	Ordinary	100%	100%	Australia
– Lawrence Creative Strategy Pty Limited *	Ordinary	100%	100%	Australia
– Markitforce Group Pty Limited and its controlled entities (i)	Ordinary	100%	100%	Australia
– Maverick Marketing and Communications Pty Limited	Ordinary	80%	80%	Australia

	Type of share/unit	Ownership interest 2013	Ownership interest 2012	Country of incorporation/ formation
– McMann & Tate Agency Pty Limited *	Ordinary	100%	100%	Australia
– Moon Communications Group Pty Limited and its controlled entity *	Ordinary	100%	100%	Australia
– Ka Ching TV Pty Limited *	Ordinary	100%	100%	Australia
– Newgency Pty Limited *	Ordinary	100%	100%	Australia
– One 20 Pty Limited (formerly Red Arrow Strategy Pty Limited) *	Ordinary	100%	100%	Australia
– Oxygen Learning Pty Limited *	Ordinary	100%	100%	Australia
– Peach Advertising Pty Limited *	Ordinary	100%	100%	Australia
– Picnic Software Pty Limited	Ordinary	70%	70%	Australia
– Rhodon IT Pty Limited *	Ordinary	100%	100%	Australia
– Sales Success (Aust) Pty Limited and its controlled entities (i)	Ordinary	100%	100%	Australia
– Tribe Media Solutions Pty Limited	Ordinary	100%	100%	Australia
– Senior Minds Pty Limited	Ordinary	80%	80%	Australia
– Straterjee Pty Limited *	Ordinary	100%	100%	Australia
– STW Group Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Aleph Pte Limited	Ordinary	60%	60%	Singapore
– Buchanan Group Holdings Pte Limited and its controlled entities (i)	Ordinary	100%	100%	Singapore
– Buchanan Advertising (UK) Limited	Ordinary	100%	100%	United Kingdom
– Buchanan Advertising (Malaysia) Sdn Bhd	Ordinary	100%	100%	Malaysia
– Buchanan Advertising (Canada) Inc.	Ordinary	100%	100%	Canada
– Buchanan Licencing (Singapore) Pte Limited	Ordinary	100%	100%	Singapore
– Antics International Holdings Limited (i)	Ordinary	75%	–	Hong Kong
– STW Group Investments Pte Limited and its controlled entities	Ordinary	100%	100%	Singapore
– Edge Marketing Limited and its controlled entities (i)	Ordinary	100%	100%	British Virgin Islands
– Edge Marketing Limited	Ordinary	100%	100%	Hong Kong
– Edge Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– The New Media Edge Company Limited	Ordinary	100%	100%	Thailand
– Mindcookies Company Limited	Ordinary	100%	100%	Thailand
– Edge Marketing Vietnam Limited	Ordinary	100%	100%	Vietnam
– Pivotal Marketing Vietnam Limited	Ordinary	100%	100%	Vietnam

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 37. SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2013	Ownership interest 2012	Country of incorporation/ formation
– STW Group (NZ) Limited and its controlled entities	Ordinary	100%	100%	New Zealand
– Assignment Group New Zealand Limited	Ordinary	100%	100%	New Zealand
– Designworks (NZ) Limited (i)	Ordinary	100%	100%	New Zealand
– Haines NZ Limited (ii)	Ordinary	–	100%	New Zealand
– Ikon New Zealand Limited	Ordinary	71%	71%	New Zealand
– STW Smollan Field Marketing Pty Limited and its controlled entity	Ordinary	51%	51%	Australia
– Quality National Team Pty Limited	Ordinary	100%	100%	Australia
– STW Win Pty Limited *	Ordinary	100%	100%	Australia
– Subnine Pty Limited *	Ordinary	100%	100%	Australia
– Switched On Media Pty Limited	Ordinary	75%	75%	Australia
– Team Red Communications Pty Limited *	Ordinary	100%	100%	Australia
– The Brand Agency Unit Trust and its controlled entity	Ordinary	84%	84%	Australia
– Rolfe Limited	Ordinary	100%	100%	New Zealand
– The Corporate Film Company Pty Limited *	Ordinary	100%	100%	Australia
– The MissingLink Pty Limited *	Ordinary	100%	100%	Australia
– The Punch Agency Pty Limited (formerly Brett Goulston & Associates Pty Limited) *	Ordinary	100%	100%	Australia
– White Digital Pty Limited (i)	Ordinary	100%	100%	Australia
– Designworks (Melbourne) Pty Limited (formerly Yello Brands (Melbourne) Pty Limited)*	Ordinary	100%	100%	Australia
– Yello Brands (Sydney) Pty Limited *	Ordinary	100%	100%	Australia
– Yellow Edge Pty Limited	Ordinary	80%	80%	Australia

(i) With put and call option agreements in place for these entities, the Group's policy is to include 100% of the earnings and statement of financial position items into the Consolidated Entity's statement of profit or loss and statement of financial position (refer to Note 1(c)(i)).
(ii) During the year, STW Group (NZ) Limited disposed of its 100% interest in Haines NZ Limited.
* These subsidiaries have been granted relief from the necessity to prepare a financial report in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

Class of equity

For each of the controlled entities listed above, with the exception of Adcast Technology Unit Trust, Badjar Ogilvy Unit Trust, The Brand Agency Unit Trust and CBS Marketing Services Unit Trust, the Company's equity holdings consist of holdings of ordinary shares. For the four unit trusts, the Company's equity holdings consist of holdings of ordinary units.

MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information in respect of each of the Group's subsidiaries that have a material non-controlling interest to the Group are set out below:

Singleton Ogilvy & Mather (Holdings) Pty Limited and its controlled entities

Principle place of business: Australia
Non-controlling interest: 2013: 33.3% (2012: 33.3%)

	2013 $'000	2012 $'000
Current assets	64,546	57,095
Non-current assets	108,841	125,006
Total assets	**173,387**	**182,101**
Current liabilities	48,951	48,475
Non-current liabilities	20,126	36,634
Total liabilities	**69,077**	**85,109**
Net asset	**104,310**	**96,992**
Equity attributable to owners of the Company	101,509	94,898
Non-controlling interests	2,801	2,094
Revenue	95,742	90,719
Net profit	**18,873**	**17,552**
Net profit attributable to owners of the Company	18,230	17,029
Net profit attributable to the non-controlling interests	643	523
Other comprehensive income attributable to owners of the Company	3,381	607
Other comprehensive income attributable to the non-controlling interests	293	38
Total other comprehensive income	**3,674**	**645**
Total comprehensive income attributable to owners of the Company	21,611	17,636
Total comprehensive income attributable to the non-controlling interests	936	561
Total comprehensive income	**22,547**	**18,197**
Dividends paid to non-controlling interests	120	239
Net cash inflows from operating activities	26,294	12,651
Net cash outflows from investing activities	(2,511)	(2,586)
Net cash outflows from financing activities	(25,338)	(7,996)
Net cash (outflows)/inflows	**(1,555)**	**2,069**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 38. DEED OF CROSS GUARANTEE

STW Communications Group Limited and certain of its Australian wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss, consolidated statement of profit of loss and other comprehensive income and consolidated statement of financial position

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by STW Communications Group Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss, a consolidated statement of profit or loss and other comprehensive income and a consolidated statement of financial position as at 31 December 2013 of the closed group consisting of STW Communications Group Limited and its controlled entities:

	2013 $'000	2012 $'000
Consolidated statement of profit or loss		
Profit before income tax	40,330	27,104
Income tax expense	(2,435)	(1,588)
Net profit	**37,895**	**25,516**
Consolidated statement of profit or loss and other comprehensive income		
Net profit	**37,895**	**25,516**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Transactions with non-controlling interest	–	5,149
Fair value gain on cash flow hedges taken to equity	1,146	186
Income tax relating to components of other comprehensive income	(344)	(56)
Other comprehensive income (net of tax)	802	5,279
Total comprehensive income	**38,697**	**30,795**

Consolidated statement of financial position	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	102	53
Trade and other receivables	84,738	73,323
Current tax receivables	1,678	1,256
Other current assets	11,684	5,263
Total current assets	**98,202**	**79,895**
Non-current assets		
Other receivables	44,390	55,133
Investments accounted for using the equity method	112,127	90,598
Other financial assets	293,923	272,691
Plant and equipment	9,448	9,865
Deferred tax assets	4,588	5,879
Intangible assets	148,179	136,184
Other non-current assets	9,575	74
Total non-current assets	**622,230**	**570,424**
Total assets	**720,432**	**650,319**
Current liabilities		
Trade and other payables	96,977	92,223
Borrowings	12,743	14,027
Provisions	1,651	2,056
Total current liabilities	**111,371**	**108,306**
Non-current liabilities		
Other payables	35,825	22,955
Borrowings	172,150	132,900
Deferred tax liabilities	51	1,012
Provisions	991	1,048
Total non-current liabilities	**209,017**	**157,915**
Total liabilities	**320,388**	**266,221**
Net assets	**400,044**	**384,098**
Equity		
Issued capital	315,240	313,829
Reserves	4,273	5,958
Retained earnings	80,531	64,311
Total equity	**400,044**	**384,098**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 13 (CONTINUED)

NOTE 39. AUDITORS' REMUNERATION

	Consolidated Entity	
	2013 $	2012 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
– an audit of the financial report of the entity and any other entity in the Consolidated Entity	708,234	590,000
– other non-audit services	–	7
– tax compliance services in relation to the entity and any other entity in the Consolidated Entity	176,130	136,005
	884,364	**726,012**
Amounts received or due and receivable by BDO New Zealand Ltd for:		
– an audit of the financial report of entities within the Consolidated Entity	107,000	101,466
– tax compliance services in relation to entities within the Consolidated Entity	56,467	36,828
	163,467	**138,294**

NOTE 40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the year, the Directors declared the payment of a fully franked final dividend of 5.3 cents per fully paid ordinary share. The record date for determining entitlement is 2 April 2014 and the final dividend is payable on 16 April 2014. The amount payable is $21,403,000. The financial impact of the final dividend is not included in the results for the year ended 31 December 2013.

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

NOTE 41. PARENT ENTITY FINANCIAL INFORMATION

(A) FINANCIAL POSITION AND PERFORMANCE

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Parent Entity	
	2013 $'000	2012 $'000
Statement of financial position		
Current assets	22,260	16,337
Non-current assets	530,794	492,521
Total assets	553,054	508,858
Current liabilities	9,020	5,559
Non-current liabilities	228,708	187,086
Total liabilities	237,728	192,645
Net assets	**315,326**	**316,213**
Equity		
Issued capital	315,240	313,829
Reserves	(93)	1,480
Retained earnings	179	904
Total equity	**315,326**	**316,213**
Net profit	32,819	30,447
Total comprehensive income	**33,621**	**30,577**

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity had contingent liabilities in respect of:

	Parent Entity	
	2013 $'000	2012 $'000
Bank guarantees	**17,088**	**10,040**

The Company has provided various bank guarantees for rental premises totalling $17,088,408 (2012: $10,040,000) on behalf of various controlled entities and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities and associates do not meet their obligations under the terms of the lease agreements.

Bank loans totalling $235,000,000 (2012: $210,000,000) are secured by a cross guarantee and indemnity by and between the Company and Singleton Ogilvy & Mather (Holdings) Pty Limited and its wholly-owned controlled entities, as outlined in Note 23.

Cross guarantees given by STW Communications Group Limited are described in Note 38.

DIRECTORS' DECLARATION

The Directors of STW Communications Group Limited declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the accompanying financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the accompanying financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each Company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the members of the extended closed group identified in Note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 38.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001:

Robert Mactier
Chairman

Michael Connaghan
Chief Executive Officer

Sydney, 25 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of STW Communications Group Limited

Report on the Financial Report

We have audited the accompanying financial report of STW Communications Group Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 62 to 132.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Auditor's Opinion

In our opinion:

(a) the financial report of STW Communications Group Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and Consolidated Entity's financial position as at 31 December 2013 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 55 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of STW Communications Group Limited for the year ended 31 December 2013, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 25 March 2014

ASX ADDITIONAL INFORMATION AS AT 10 MARCH 14

Additional information required by the Australian Securities Exchange ("ASX") and not shown elsewhere in this report is as follows. The information is current as at 10 March 2014 unless otherwise stated.

(A) DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of shares is:

	Ordinary shares	
	Number of holders	Number of shares
1-1,000	1,494	593,365
1,001-5,000	1,597	4,615,864
5,001-10,000	888	6,900,865
10,001-100,000	1,218	32,357,444
100,001 and over	81	359,360,974
	5,278	**403,828,512**

(B) MARKETABLE PARCEL

The number of shareholders holding less than a marketable parcel of shares (ie $500 worth of shares), is 332. In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 10 March 2014 was used to determine the number of shares in a marketable parcel.

(C) TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of quoted shares are:

	Quoted Ordinary Shares	
	Number of Shares	Percentage of Shares
Cavendish Square Holdings BV	80,742,178	19.99
JP Morgan Nominees Australia Limited	58,847,636	14.57
National Nominees Limited	50,954,222	12.62
HSBC Custody Nominees (Australia) Limited	50,009,845	12.38
Citicorp Nominees Pty Limited	33,478,664	8.29
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	24,030,926	5.95
RBC Investor Services Australia Nominees Pty Limited (Bkcust A/C)	12,392,582	3.07
BNP Paribas Noms Pty Ltd (DRP)	12,136,459	3.01
JP Morgan Nominees Australia Limited (Cash Income A/C)	3,149,877	0.78
QIC Limited	2,894,623	0.72
RBC Investor Services Australia Nominees Pty Limited (Piselect)	2,742,547	0.68
AMP Life Limited	2,283,633	0.57
CPU Share Plans Pty Ltd	2,249,069	0.56
Buttonwood Nominees Pty Ltd	1,931,226	0.48
RBC Investor Services Australia Nominees Pty Limited (Gsam A/C)	1,547,002	0.38
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,480,046	0.37
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	1,470,608	0.36
Josseck Pty Limited (The Josseck Family A/C)	1,415,463	0.35
National Nominees Limited (N A/C)	1,119,992	0.28
Share Direct Nominees Pty Ltd (10026 A/C)	1,014,870	0.25
	345,891,468	**85.66**

(D) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Quoted Ordinary Shares	
	Number of Shares	Percentage of Shares
Cavendish Square Holdings BV (i)	80,742,178	19.99
Perpetual Limited	30,443,672	7.54

(i) Cavendish Square Holdings BV is a wholly-owned subsidiary of WPP Group plc ("WPP"). As at 10 March 2014, WPP had one nominee Director on the Board of STW Communications Group Limited (namely Paul Richardson).

(E) VOTING RIGHTS

At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll, one vote for each share.

CORPORATE DIRECTORY

DIRECTORS

Robert Mactier (Chairman)
Michael Connaghan (Chief Executive Officer)
Paul Richardson
Ian Tsicalas
Graham Cubbin
Peter Cullinane
Kim Anderson

CHIEF EXECUTIVE OFFICER

Michael Connaghan

CHIEF OPERATING OFFICER

Chris Savage

CHIEF FINANCIAL OFFICER

Lukas Aviani

COMPANY SECRETARY

Chris Rollinson

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Herbert Smith Freehills
Minter Ellison

REGISTERED OFFICE

Level 6, Ogilvy House
72 Christie Street
St Leonards NSW 2065
Telephone: (02) 9373 6333

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: (02) 8234 5000

WEBSITE ADDRESS

www.stwgroup.com.au

ANNUAL GENERAL MEETING

The Annual General Meeting will be held
at 9:30am on 16 May 2014 at:
Ogilvy House, 72 Christie Street
St Leonards NSW 2065

ABN

84 001 657 370

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