



STW Group Limited
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The Manager Companies
Australian Securities Exchange
Company Announcements Office
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

STW Communications Group Limited – 31 December 2014

We attach the following documents relating to STW Communications Group Limited (ASX: SGN) results for the full-year ended 31 December 2014:

- ASX Appendix 4E; and
- Annual Report.

Regards

Chris Rollinson

Company Secretary

02 9373 6311 - chris.rollinson@stwgroup.com.au



**ASX APPENDIX 4E
PRELIMINARY FINAL REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2014

STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

Name of entity

STW Communications Group Limited		
ABN or equivalent company reference	Year ended ('current period')	Year ended ('previous period')
84 001 657 370	31 December 2014	31 December 2013

Results for announcement to the market

In A\$'000's (unless otherwise noted)

Revenues from ordinary activities	up	11.43%	to	\$452,613
Profit from ordinary activities after tax attributable to members	down	9.87%	to	\$44,575
Net profit for the year attributable to members	down	9.87%	to	\$44,575
Earnings per share – Basic	down	10.44%	to	11.06¢
Earnings per share – Diluted	down	10.37%	to	11.06¢
Dividends	Amount per security		Franked amount per security at 30%	
<u>Current Year:</u> Final dividend declared subsequent to 31 December 2014	3.5¢		3.5¢	
Interim dividend declared (paid 24 September 2014)	3.3¢		3.3¢	
<u>Previous Year:</u> Final dividend declared subsequent to 31 December 2013 (paid 16 April 2014)	5.3¢		5.3¢	
Interim dividend declared (paid 10 September 2013)	3.3¢		3.3¢	
Record date for determining entitlements to the dividend	7 April 2015			
Date dividend is payable	28 April 2015			
A dividend reinvestment plan (“DRP”) will apply to the final dividend. The DRP pricing period for this dividend will be from 9 April 2015 to 17 April 2015 (inclusive). A 2.5% discount is applicable to shares issued under the DRP.				
	Consolidated Entity			
	2014		2013	
Net tangible asset backing per ordinary share	(7.35)¢		(2.31)¢	

Brief explanation of any of the figures reported above or other items of importance not previously released to the market:

Refer to the 2014 Annual Report lodged with this document

Discussion and Analysis of the results for the year ended 31 December 2014:

Refer to the 2014 Annual Report lodged with this document

ANNUAL
REPORT
2014

FOR THE
YEAR ENDED
31 DECEMBER
2014

stw group


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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 (from 2006), 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? Day'.



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").

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 Chime Communications plc and previously served on the British Airways Global Travel Advisory Board.



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 and Commander Communications Limited and Chief Executive Officer of The Warehouse Group Australia.

Mr Tsicalas was formerly the 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-executive
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 (from 2004), Bell Financial Group Limited (from 2007), White Energy Company Limited (from 2010) and McPherson's Limited (from 2010).

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



Peter Cullinane

MBA MMGT
Non-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 the founding shareholder and director of Lewis Road Creamery Ltd.

He is a Non-executive Director of SKY CITY Entertainment Group Limited (from 2008) and Chair of the CSR sub-committee and a Non-executive Director of APN News & Media (from 2013) where he is Chair of the Remuneration Committee and a member of the Audit and Risk Committee.

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-executive
Director

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

Ms Anderson is a Director of carsales.com Limited (from 2010), Chief Executive of Reading Room (thereadingroom.com), a curated book discovery 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.

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 2014 (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:

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 2 and 3 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 2014 year was \$44.6 million, down 9.9% (2013: \$49.5 million).

Diluted earnings per share ("EPS") of 11.06 cents were down 10.37% (2013: 12.34 cents).

	2014 \$million	2013 \$million	Change
Total revenue (including share of net profits from associates excluding interest income)	471.2	423.0	
Earnings before interest, tax, depreciation and amortisation ("EBITDA") *	93.7	95.5	
Net profit after tax before elimination of non-controlling interests	57.4	61.7	
Non-controlling interests	(12.8)	(12.2)	
Statutory profit	44.6	49.5	(9.9%)
Cash	19.9	43.3	
Debt and finance lease	212.7	172.4	
Net debt	192.8	129.1	
	Cents per share	Cents per share	
EPS – statutory profit	11.1	12.3	(10.4%)

* A reconciliation between EBITDA and statutory profit is disclosed in Note 3 to the financial statements.

Underlying profit

The underlying profit attributable to members of STW Communications Group Limited for the 2014 year was \$45.6 million, down 7.8% (2013: \$49.5 million).

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

	2014 \$million	2013 \$million	Change
Statutory profit	44.6	49.5	
Amortisation - customer relationships	0.4	—	
Restructure costs	0.6	—	
Underlying profit	45.6	49.5	(7.8%)
	Cents per share	Cents per share	
EPS – underlying profit	11.3	12.3	(8.4%)

The amortisation cost relates to the amortisation of customer relationships acquired as part of Active Display Group. Restructure costs relate to the close down of Catalyst Advertising Pty Limited.

REVIEW OF OPERATIONS

Three pillared strategic growth focus

The Group's three pillared strategic growth focus remains; 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 reported results of the Group were below the expectations set at the beginning of the year. The results for the year were impacted by the loss of key clients during the year and constrained client spend in a challenging economic environment.

EBIT margins in the Group declined with a greater focus on research, field marketing and the impact of the Active Display acquisition.

Active Display Group acquisition

On the 1 July 2014, the Company completed the acquisition of 100% of Active Display Group ("ADG"). ADG is Australia's largest provider of retail marketing solutions - designing, manufacturing and implementing retail marketing campaigns.

The purchase consideration comprises of \$29.7 million at completion, deferred amounts of \$4.6 million and a capped earnout based on achieving performance measures to be funded from cash and increased debt facilities. The acquisition contributed \$2.7 million to STW Group's earnings before interest and tax for the year ended 31 December 2014.

Cash and gross debt

As at 31 December 2014, the Group's cash and gross debt and finance lease liabilities were \$19.9 million (2013: \$43.3 million) and \$212.7 million (2013: \$172.4 million), respectively.

Debt facilities

As at 31 December 2014, the Company has access to debt facilities totalling \$270 million, of which \$207 million is drawn.

During the year the Company entered into new debt facilities totalling \$35 million, expiring in July 2017.

Subsequent to the end of year, the Company has entered into an agreement to extend the term of \$100 million of debt maturing in 2015 to January 2018. The original maturity dates of the \$100 million of debt were January 2015 (\$75 million) and July 2015 (\$25 million).

STW Group now has access to Australian core banking debt facilities of \$270 million that mature in July 2017 (\$35 million), August 2017 (\$70 million), January 2018 (\$100 million), September 2018 (\$25 million) and August 2019 (\$40 million).

Finance lease

During the year, the Company entered into a sale and leaseback arrangement of plant and equipment. The proceeds from sale were \$6.0 million and will be repaid over a period of five years. The balance of the finance lease liability is \$5.6 million at 31 December 2014 (2013: \$Nil).

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 \$33.0 million (2013: \$35.4 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 2014.

For the 2014 year, 67% of EBITDA was converted to operating cash flow (2013: 69%). This is below the targeted cash conversion of between 85% and 95% of EBITDA.

2015 OUTLOOK

At this stage, the Company is not providing specific guidance for the full year ending 31 December 2015. Whilst we do expect year-on-year growth, we would not predict anything more than low single digit growth in net profit after tax. The Company has initiated a strategic and structural review of the business. We are firmly of the view there are significant opportunities to streamline the way we go to market, manage our cost base and drive organic growth within the business which will deliver profit growth to our shareholders. We will update the market on the outcomes of the strategic review in the middle of the year.

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 2013	5.3	21.3	100%
Interim 2014	3.3	13.3	100%

In addition to the above dividends, since the end of the financial year, the Directors have declared the payment of a fully franked ordinary dividend of \$14.3 million (3.5 cents per fully paid ordinary share), with a record date of 7 April 2015 and payable on 28 April 2015 (2014 final dividend: 5.3 cents per share).

A dividend reinvestment plan ("DRP") will apply to the final dividend. The DRP pricing period for this dividend will be from 9 April 2015 to 17 April 2015 (inclusive). A 2.5% discount is applicable to shares issued under the DRP.

The total dividends for the year ended 31 December 2014 represent a payout ratio of 60% underlying profit. This is in line with the Company's target payout ratio of between 60% and 70% of underlying profit.

Dividend reinvestment plan

During the year, the Directors announced the introduction of a DRP, allowing eligible shareholders to reinvest their dividends in the Company's shares. The DRP applied to the interim dividend and will apply to the final dividend.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than referred to in this report, the significant changes in the state of affairs of the Group during the year was the issue of 6,506,627 fully paid ordinary shares. This was a result of: the issue on 24 September 2014 of 5,870,488 fully paid ordinary shares pursuant to the DRP; and the issue on various dates of 636,139 fully paid ordinary shares pursuant to executive incentive plans.

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 ended 31 December 2014, 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	10	10	4	4	—	—
Paul Richardson	10	10	—	—	—	—
Ian Tsicalas	10	10	4	4	4	4
Graham Cubbin	10	10	4	4	4	4
Michael Connaghan	10	10	—	—	—	—
Peter Cullinane	10	10	—	—	—	—
Kim Anderson	10	10	—	—	4	4

* Reflects the number of meetings the Director was eligible to attend during the time the Director held office during the 2014 year.

DIRECTORS' REPORT (CONTINUED)

COMMITTEE MEMBERSHIP

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

AUDIT AND RISK COMMITTEE

Graham Cubbin (Chair)
Robert Mactier
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 or 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 31 December 2014, 3,047,721 (2013: 3,520,026) performance rights have been granted to participants in the Executive Share Plan. These performance rights will vest and be transferred to eligible executives subject to the achievement of specific performance measures. As at 31 December 2014, 2,249,069 (2013: 2,885,208) 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.

SHARES

The number of ordinary shares in which each Director has a relevant interest as at the date of this report is as follows:

	Balance as at 1 Jan 14	Acquisitions	Disposals	Balance as at 31 Dec 14	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	—	296,507	—	296,507	86,783	—	383,290
Peter Cullinane	34,500	—	—	34,500	—	—	34,500
Kim Anderson	—	—	—	—	—	—	—

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 8.

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 9 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors:



Robert Mactier
Chairman



Michael Connaghan
Chief Executive Officer

20 February 2015

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

20 February 2015

Dear Directors

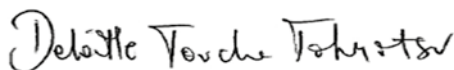
STW Communications Group Limited

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 2014, 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



S C Gustafson
Partner
Chartered Accountants
Sydney, 20 February 2015

Deloitte Touche Tohmatsu
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Member of Deloitte Touche Tohmatsu Limited

REMUNERATION REPORT

The Directors of STW Communications Group Limited present this Remuneration Report for the Consolidated Entity for the year ended 31 December 2014. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001 and forms part of the Directors' Report.

This Remuneration Report outlines STW's remuneration philosophy and practices together with details of specific remuneration arrangements that apply to key management personnel ("KMP") in accordance with the requirements of the Corporations Act 2001.

KMP comprise the Directors of the company and Senior Executives. The term "Senior Executives" refers to the CEO and those executives with authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly.

STW's KMP for 2014 are outlined in the table below:

Non-executive Directors	Role
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
Peter Cullinane	Non-executive Director
Executive Director	
Michael Connaghan	Chief Executive Officer
Other Senior Executives	
Chris Savage *	Chief Operating Officer
Lukas Aviani	Chief Financial Officer

* Chris Savage has resigned with effect from 17 February 2015.

Chris Savage resigned as Chief Operating Officer with effect from 17 February 2015. Peter Cullinane transitioned from a full time Managing Director of Assignment Group New Zealand Limited ("Assignment"), a 100% owned subsidiary of the Group, to Non-executive Chairman of Assignment with effect from 1 January 2013. There were no other changes to KMP during the reporting period, or after the reporting date up to the date of the financial report was authorised for issue.

The structure of the Remuneration Report is outlined as follows:

Section 1 – Remuneration Governance

Section 2 – Remuneration Structure for Senior Executives

- a. Fixed Remuneration
- b. At Risk Remuneration
 - i. Short-term Incentives ("STI")
 - ii. Long-term Incentives ("LTI")

Section 3 – Remuneration of Chief Executive Officer

Section 4 – Senior Executive Contractual Arrangements

Section 5 – Remuneration of Senior Executives

Section 6 – Non-executive Director Remuneration

Section 7 – Other Information.

SECTION 1 – 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 Senior Executives, including the key performance indicators and performance hurdles;
- remuneration levels of Senior Executives; 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.

Involvement of independent advisors

The Remuneration and Nominations Committee operates independently of Senior Executives and engages directly with remuneration advisors. Engagements are entered into directly with the Remuneration and Nominations Committee Chairman and advice is provided directly to the Remuneration and Nominations Committee.

STW has appointed Guerdon Associates as its external remuneration advisor. The role played by Guerdon Associates is to provide both information on current market practice and independent input into key remuneration decisions. During the 2014 year, Guerdon Associates provided advice relating to:

- current market practices regarding remuneration structures, and STI and LTI market practice; and
- material to support the Committee's review of existing remuneration arrangements of Senior Executives.

No remuneration recommendations as defined by the Corporations Act 2001 were provided.

Mercer Consulting (Australia) Pty Limited was appointed during 2014 to independently test LTI vesting outcomes.

SECTION 2 – REMUNERATION STRUCTURE FOR SENIOR EXECUTIVES

REMUNERATION FRAMEWORK

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.

The executive pay and reward framework has three components:

- (i) fixed remuneration;
- (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 to attract and retain executives with appropriate experience and expertise, align their interests with those of shareholders, and recognise the extent that each position influences short and longer term performance outcomes.

Remuneration levels are considered annually through a remuneration review that considers market data and the performance of the Company and the individual.

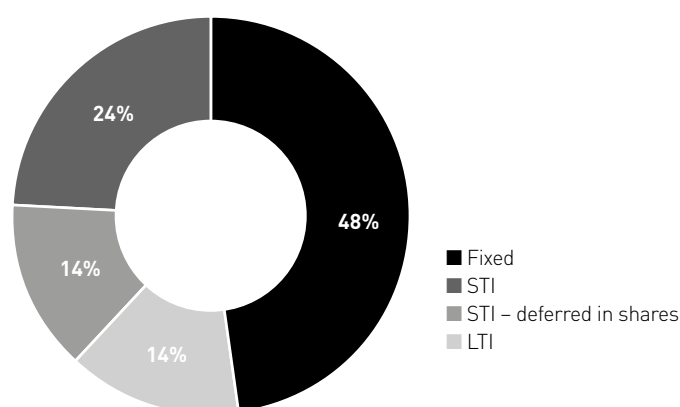
REMUNERATION REPORT (CONTINUED)

SECTION 2 – REMUNERATION STRUCTURE FOR SENIOR EXECUTIVES (CONTINUED)

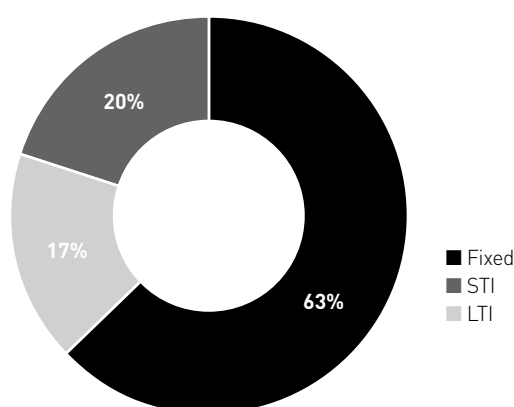
REMUNERATION FRAMEWORK (CONTINUED)

The diagram below shows the mix of fixed and at-risk components of remuneration, as a percentage of total annual remuneration, for the Chief Executive Officer (“CEO”) and other Senior Executives. Remuneration outlined in the diagram is based on the fixed remuneration at 1 January 2014 and the incentive payable if all performance conditions are satisfied and assumes full vesting of the STI plan and LTI plan.

CEO remuneration mix



Other Senior Executives remuneration mix



The table below provides a snapshot of STW’s remuneration framework and the way in which each element of remuneration has been structured to support STW’s business objectives and to align with the generation of shareholder wealth:

		Remuneration component	Strategic purpose
Fixed remuneration	Cash	<ul style="list-style-type: none"> Salary and other benefits (including statutory superannuation). 	<ul style="list-style-type: none"> Designed to attract and retain employees with required capabilities and experience.
At-risk remuneration	Cash STI	<ul style="list-style-type: none"> STI payable based on Group achieving: <ul style="list-style-type: none"> Net profit after tax (“NPAT”) target (75% weighting); and individual objectives (25% weighting). For Senior Executives, excluding the CEO, the STI outcome is paid in cash following the end of year assessment and approval by the Board. For the CEO, 50% of the STI outcome is paid in cash and the remaining 50% is deferred and paid in shares. 	<ul style="list-style-type: none"> Motivates and rewards performance within a year. Provides appropriate reward for superior individual and STW Group performance.
	Deferred STI – CEO	<ul style="list-style-type: none"> For the CEO, 50% of the STI outcome is paid in shares and deferred over a period of two years, subject to ongoing employment conditions. 	<ul style="list-style-type: none"> Aligns the CEO’s reward to shareholder interests. Aligns CEO’s remuneration with longer-term financial performance. Retain the CEO’s services.
	LTI	<ul style="list-style-type: none"> Two plans: <ul style="list-style-type: none"> Base Plan; and Overperformance Plan. Provided as a grant of performance rights. Performance measured over three-year performance period. Base Plan subject to performance hurdles of earnings per share (“EPS”) (weighting 75%) and total shareholder return (“TSR”) (weighting 25%) being achieved. Overperformance Plan subject to EPS performance hurdle being achieved. 	<ul style="list-style-type: none"> Aligns the interest of Senior Executives with those of shareholders. Aligns Senior Executive’s remuneration with longer-term financial performance. Assists in attracting and retaining required executive talent.

REALISED REMUNERATION OF SENIOR EXECUTIVES

The following table shows remuneration 'actually realised' by the Senior Executives during the year. The figures in this table are different from those shown in the accounting table in Section 5 – Remuneration of Senior Executives. The main difference between the two tables is that the accounting table in Section 5 includes an apportioned accounting value for all unvested LTI grants during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest). The table below, on the other hand, shows the LTI value based on the awards that actually vested, with the value then calculated based on the closing price of STW's shares on the date of vesting:

Name	Year	Fixed remuneration ¹ \$	Cash STI ² \$	Deferred STI realised ³ \$	LTI ⁴ \$	Total \$
Michael Connaghan	2014	828,750	—	85,047	—	913,797
Chief Executive Officer	2013	850,000	103,125	331,824	97,781	1,382,730
Chris Savage	2014	682,500	—	—	—	682,500
Chief Operating Officer	2013	700,000	72,188	—	97,781	869,969
Lukas Aviani	2014	390,000	—	—	—	390,000
Chief Financial Officer	2013	400,000	54,656	—	52,150	506,806

1. 'Fixed remuneration' comprises base salary and superannuation. Senior Executives each took six days unpaid leave during the year ended 31 December 2014.

2. 'Cash STI' represents the non-deferred portion of the STI payments. For:

- 31 December 2014, the Board determined that minimum performance requirements were not achieved and the KMP are not entitled to any amounts payable under the STI plan in recognition of the performance in the year ended 31 December 2014; and
- 31 December 2013, the remuneration value is the Cash STI paid in February 2014, in recognition of the performance in the year ended 31 December 2013.

3. 'Deferred STI realised' represents the value of the CEO's deferred STI, where the performance period has ended. For:

- 31 December 2014, the remuneration value is based on 86,783 shares issued pursuant to the 2012 STI plan, released on 31 December 2014 at a share price of \$0.98; and
- 31 December 2013, the remuneration value is based on 222,701 shares issued pursuant to the 2011 STI plan, released on 31 December 2013 at a share price of \$1.49.

4. The figures in this 'LTI' column show the value to Senior Executives relating to the performance rights where the performance period has ended. For:

- 31 December 2014, no performance rights vested relating to the 2012-2014 LTI plan; and
- 31 December 2013, the remuneration represents the pre-tax vested value of the 2011-2013 LTI plan, which vested on 18 February 2014 at a share price of \$1.49.

(a) Fixed remuneration

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

There is no guaranteed base pay increase included in any Senior Executives' contracts.

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

REMUNERATION REPORT (CONTINUED)

SECTION 2 – REMUNERATION STRUCTURE FOR SENIOR EXECUTIVES (CONTINUED)

(b) At-risk remuneration

(i) Short-term incentives (“STI”)

The purpose of STI is to motivate and reward Senior Executives for contributing to the delivery of annual business performance as assessed against a balanced scorecard of measures. STI is an annual incentive based on Group and individual performance. STW's STI plan has been structured as follows:

Potential maximum STI amount	At the beginning of each year, the Remuneration and Nominations Committee determines the maximum entitlements payable under the STI plan for each Senior Executive.																										
Performance measures and rationale	<p>Performance is measured against a balanced scorecard that uses goals set against financial and non-financial measures. These targets are set by the Remuneration and Nominations Committee at the beginning of the year and are reviewed annually.</p> <p>Financial measures make up 75% of the balanced scorecard objectives, with the remaining 25% based on non-financial measures. This provides a balance between rewarding the achievement of financial targets and non-financial objectives that drive the execution of STW's strategy.</p> <p>STI financial measures</p> <p>A Senior Executive will receive 75% of the maximum entitlement under the STI plan based on achieving a NPAT target. The NPAT target is based on STW Group's budget.</p> <p>For the year ended 31 December 2014, the Senior Executives are rewarded for performance between 100% and 105% of the NPAT target (at which point the maximum entitlement is received) as outlined below:</p> <table><tr><th>Percentage of NPAT target achieved</th><th>Percentage of STI payable relating to the financial component</th><th>Percentage of total STI payable</th></tr><tr><td>Less than 100%</td><td>Nil</td><td>Nil</td></tr><tr><td>100% and above</td><td>50%</td><td>37.5%</td></tr><tr><td>101% and above</td><td>60%</td><td>45.0%</td></tr><tr><td>102% and above</td><td>70%</td><td>52.5%</td></tr><tr><td>103% and above</td><td>80%</td><td>60.0%</td></tr><tr><td>104% and above</td><td>90%</td><td>67.5%</td></tr><tr><td>105% and above</td><td>100%</td><td>75.0%</td></tr></table> <p>STI non-financial measures</p> <p>A Senior Executive will receive 25% of the maximum entitlement under the STI plan based on meeting non-financial measures. The non-financial objectives are specific to each Senior Executive. 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.</p>			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% and above	50%	37.5%	101% and above	60%	45.0%	102% and above	70%	52.5%	103% and above	80%	60.0%	104% and above	90%	67.5%	105% and above	100%	75.0%
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% and above	50%	37.5%																									
101% and above	60%	45.0%																									
102% and above	70%	52.5%																									
103% and above	80%	60.0%																									
104% and above	90%	67.5%																									
105% and above	100%	75.0%																									
Testing of performance measures	<p>The CEO's STI is recommended by the Remuneration and Nominations Committee based on his balanced scorecard performance and is approved by the Board.</p> <p>The amount of STI paid to other Senior Executives is recommended by the CEO to the Remuneration and Nominations Committee based on each Senior Executive's balanced scorecard performance and recommended by the Remuneration and Nominations Committee for approval by the Board.</p> <p>The Board may apply discretion in determining the STI outcomes to ensure they are appropriate.</p>																										
Instrument – Senior Executives excluding the CEO	For Senior Executives, excluding the CEO, the STI outcome is paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board.																										
Instrument – CEO's deferred STI	<p>For the CEO, 50% of the STI achieved will be paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board.</p> <p>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 year ended 31 December 2014.</p> <p>The shares will be held on trust for two years and the CEO receives dividends on the shares during this period. At the end of the two-year period, the ownership of the shares is transferred to the CEO.</p>																										

Termination and forfeiture conditions

To be eligible for an STI award, the Senior Executive must be employed on the award date.

For the CEO, the deferred portion of an STI award will be forfeited in the event that he resigns or his employment is terminated for cause prior to the vesting date. Unvested deferred STI awards may be retained if he leaves due to special circumstances such as redundancy, subject to Board discretion.

STI outcomes 2014

The table below shows actual STI outcomes for the Senior Executives for the year ended 31 December 2014:

Short-term incentives – outcomes

Senior Executive	Year	Maximum STI (\$)	Actual STI achieved	Actual STI as a % of maximum STI ¹	% of maximum STI forfeited ²
Michael Connaghan					
Chief Executive Officer	2014	500,000	—	—	100%
Chris Savage					
Chief Operating Officer	2014	175,000	—	—	100%
Lukas Aviani					
Chief Financial Officer	2014	132,500	—	—	100%

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.

For the year ended 31 December 2014, the Board determined that minimum performance requirements were not achieved and the KMP are not entitled to any amounts payable under the STI plan.

Performance of STW and the link to STI reward

The STI plan operates to create a clear connection between Senior Executives' and STW's annual performance, motivating and rewarding Senior Executives for performance during the year. The key financial indicator used to assess performance under the STI plan is STW's NPAT. The table below shows STW Group performance over the past five years:

	2014	2013	2012	2011	2010
Underlying NPAT (\$million)*	45.6	49.5	44.0	41.3	38.7
Underlying NPAT growth (%)	(7.8)	12.5	6.5	6.8	16.9
Underlying EPS (cents)*	11.3	12.3	12.1	11.6	10.8
Underlying EPS growth (%)	(8.4)	1.7	5.1	6.8	16.9
Proportion of maximum STI achieved – CEO (%)	—	41.2	45	77.5	100
Proportion of maximum STI achieved – other Senior Executives (%)	—	41.2	50	77.5	100

* Underlying NPAT and EPS show the Group's performance excluding one-off gains and losses. A reconciliation of the Group's statutory and underlying profit is disclosed in the Directors' Report on page 4.

REMUNERATION REPORT (CONTINUED)

SECTION 2 – REMUNERATION STRUCTURE FOR SENIOR EXECUTIVES (CONTINUED)

(ii) Long-term incentives (“LTI”) – executive share plan

The LTI plan is an at-risk component of Senior Executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance measures over a three-year performance period. Key details of the LTI plan are shown below:

Description	<p>LTI plan grants are determined annually by the Board.</p> <p>LTI plan awards are delivered in the form of performance rights.</p> <p>No dividends or voting rights are attached to performance rights.</p> <p>If the performance conditions are achieved at the end of the three-year performance period, the relevant portion of performance rights automatically vests and Senior Executives receive a share for each vested performance right.</p> <p>No amount is payable on the vesting of the performance rights or on their conversion into shares.</p>
Eligibility	Offers were made to executives nominated by the CEO and approved by the Board.
Performance period	<p>The performance period for the LTI plan is three years. The 2014 plan operates from 1 January 2014 to 31 December 2016.</p> <p>The Board considers that three years is an appropriate performance period as it is sufficiently long term to influence the desired performance outcomes, provides a foreseeable and genuine incentive to participants, and validly reflects the long term planning and investment horizon of the business.</p>
Performance plans	<p>There are two LTI plans: Base Plan; and Overperformance Plan.</p> <p>The performance rights will vest and be transferred to the Senior Executives subject to meeting the performance hurdles, as determined by the Remuneration and Nominations Committee.</p>

Base Plan – performance hurdles**Base Plan**

The Base Plan has two performance hurdles measures over the performance period:

- 75% of the awards are subject to the achievement of target EPS targets; and
- 25% of the awards are subject to a relative TSR measure.

(i) Earnings per share performance condition

EPS is calculated by dividing the underlying net profit after tax attributable to members of STW for the relevant reporting period (profit after tax adjusted for the after-tax effect of any significant items) by the weighted average number of ordinary shares of the Company.

Significant items are revenues and expenses associated with specific events considered appropriate by the Directors to be excluded in order to arrive at underlying earnings including impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

For the Base Plan, EPS performance is measured as the actual cumulative EPS achieved over the three year measurement period.

With respect to the 2014 Plan (operating between 1 January 2014 and 31 December 2016), the actual proportion of EPS award vesting is determined by comparing the actual cumulative EPS achieved over the three year measurement period against the thresholds outlined in the table below. The cumulative growth for the 2014 Plan is measured using a base EPS of 12.3 cents per share (the Group's 2013 calendar year underlying EPS).

STW's cumulative growth from base year	Cumulative EPS (cents per share) over the three year measurement period	Proportion of EPS award vesting
Less than 3% per annum	Less than 39.3	Nil
3% per annum or above	39.3 or above	10%
4% per annum or above	40.1 or above	20%
5% per annum or above	40.9 or above	30%
6% per annum or above	41.7 or above	50%
7% per annum or above	42.5 or above	70%
At or above 8% per annum	43.3 or above	100%

The same cumulative EPS performance measure has been used for the 2012 Plan (operating between 1 January 2012 and 31 December 2014) and 2013 Plan (operating between 1 January 2013 and 31 December 2015). The base year EPS for each plan is the Group's EPS for the most recent calendar year prior to the granting of the award.

(ii) Total shareholder return performance condition

TSR is calculated as the movement in share price and dividends received assuming reinvestment of dividends.

The TSR performance condition compares the Company's TSR ranking at the end of the relevant period (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.

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.

In relation to the 2014 Plan (operating between 1 January 2014 and 31 December 2016), the proportion of the TSR award that vests is determined as follows:

TSR rank	Proportion of TSR award vesting
Less than 50th percentile	Nil
50th percentile	50%
Between 51st percentile and 75th percentile	50% plus an additional 2% of this award for each additional percentile rank above 50th percentile
At or above the 75th percentile	100%

The same performance measure has been used for the 2012 Plan (operating between 1 January 2012 and 31 December 2014) and 2013 Plan (operating between 1 January 2013 and 31 December 2015).

REMUNERATION REPORT (CONTINUED)

SECTION 2 – REMUNERATION STRUCTURE FOR SENIOR EXECUTIVES (CONTINUED)

(ii) Long-term incentives (“LTI”) – executive share plan (CONTINUED)

Overperformance Plan – Performance hurdles	<p>Overperformance Plan</p> <p>A Senior Executive will have the opportunity to earn additional performance rights through the Overperformance Plan.</p> <p>Awards under the Overperformance Plan are subject to the achievement of average annual growth in EPS over the performance period.</p> <p>For the Overperformance Plan, EPS performance is measured as the actual cumulative EPS achieved over the three year measurement period.</p> <p>With respect to the 2014 Plan (operating between 1 January 2014 and 31 December 2016), the actual proportion of EPS award vesting is determined by comparing the actual cumulative EPS achieved over the three year measurement period against the thresholds outlined in the table below. The cumulative growth for the 2014 Plan is measured using a base EPS of 12.3 cents per share (the Group’s 2013 calendar year underlying EPS).</p>		
	STW’s cumulative EPS growth from base year	Cumulative EPS (cents per share) over the three year measurement period	Proportion of EPS award vesting
	Less than 8% per annum	Less than 43.3	Nil
	8% per annum or above	43.3 or above	20%
	9% per annum or above	44.1 or above	36%
	10% per annum or above	45.0 or above	52%
	11% per annum or above	45.8 or above	68%
	12% per annum or above	46.7 or above	84%
	At or above 13% per annum	47.5 or above	100%
	<p>The same cumulative performance measure has been used for the 2012 Plan (operating between 1 January 2012 and 31 December 2014) and 2013 Plan (operating between 1 January 2013 and 31 December 2015). The base year EPS for each plan is the Group’s EPS for the most recent calendar year prior to the granting of the award.</p>		
Rationale for choosing performance hurdles	<p>The Board considers the combination of a relative hurdle requiring an above median performance (TSR) and achieving a minimum absolute hurdle (EPS) to be an appropriate combination of stretch financial hurdles and they are relevant direct measurements of the Company performance. If these performance conditions are achieved over a three-year period, in turn, shareholders will be provided with increased returns on their investment over the corresponding period.</p> <p>Hurdles and vesting scales are reviewed each year prior to that year’s grants being made, to ensure that the performance conditions applying to a grant are appropriate and continue to effectively incentivise Senior Executives.</p>		
Calculation of the performance hurdles	<p>EPS is calculated by the Group and audited by Deloitte. TSR is calculated independently by Mercer Consulting (Australia) Pty Limited.</p>		
No re-testing of performance hurdles	<p>Any performance rights for which the relevant performance hurdle is not satisfied will lapse. Any performance rights that do not vest over the performance period will be forfeited.</p>		
LTI opportunity	<p>The maximum value of a Senior Executive’s LTI opportunity is determined at the time of offer. For 2014, the number of performance rights allocated was based on STW’s average share price between 1 October 2013 and 1 December 2013.</p>		
Hedging	<p>The terms and conditions surrounding the 2014 Plan do not allow participants to hedge against future performance by entering into any separate equity or other arrangements.</p>		
Cessation of employment	<p>If a Senior Executive ceases employment before the end of the performance period, unvested performance rights will generally lapse.</p> <p>In exceptional circumstances (such as redundancy, death or disability), the Board, in its discretion, may determine that a portion of the award is retained having regard to performance and time lapsed to date of cessation (or that an equivalent cash payment be made).</p> <p>Retained awards will generally be subject to post-employment vesting, where the participant must continue to hold the relevant performance rights until the end of the performance period, and be subject to the performance conditions under the plan.</p>		
Change in control	<p>If a change of control event is to occur, the Board has discretion to determine that all or a portion of the award will vest, and may have regard to performance and time elapsed to the date of change of control in exercising that discretion.</p>		

LTIs granted - 2014

Details of the performance rights granted to KMP under the 2014 LTI Plan (operating between 1 January 2014 and 31 December 2014) are set out in the table below:

	Plan	Performance measure	Number of performance rights granted	Vesting date	Fair value of performance rights ¹	Minimum value of grant \$	Maximum value of grant \$
Michael Connaghan	Base Plan	EPS	168,392	Feb 2017	\$1.19	—	200,386
		TSR	56,130	Feb 2017	\$0.73	—	40,975
	Overperformance Plan	EPS	42,098	Feb 2017	\$1.19	—	50,097
Total			266,620			—	291,458
Chris Savage	Base Plan	EPS	96,048	Feb 2017	\$1.19	—	114,297
		TSR	32,016	Feb 2017	\$0.73	—	23,372
	Overperformance Plan	EPS	24,012	Feb 2017	\$1.19	—	28,574
Total			152,076			—	166,243
Lukas Aviani	Base Plan	EPS	44,959	Feb 2017	\$1.19	—	53,501
		TSR	14,986	Feb 2017	\$0.73	—	10,940
	Overperformance Plan	EPS	11,240	Feb 2017	\$1.19	—	13,376
Total			71,185			—	77,817

1. The maximum value of the grant has been estimated based on the fair value as calculated at the time of the grant.

LTI vested - 2014

At 31 December 2014, the performance hurdles were tested for the 2012 Plan (operating between 1 January 2014 and 31 December 2014). STW did not achieve the minimum requirements required by the EPS and TSR performance hurdles. No performance rights vested and they were forfeited.

	Granted in 2012		Vested in 2014			Forfeited in 2014		
	Number	Value \$	Number	% of total grant	Value \$	Number	% of total grant	Value \$
Michael Connaghan	356,250	222,938	—	—	—	356,250	100%	222,938
Chris Savage	225,625	141,194	—	—	—	225,625	100%	141,194
Lukas Aviani	118,750	74,313	—	—	—	118,750	100%	74,313

REMUNERATION REPORT (CONTINUED)

SECTION 2 – REMUNERATION STRUCTURE FOR SENIOR EXECUTIVES (CONTINUED)

(ii) Long-term incentives (“LTI”) – executive share plan (CONTINUED)

Performance of STW and the link to LTI reward

The following table details the link between STW's performance and the rewards granted to Senior Executives under the LTI plan:

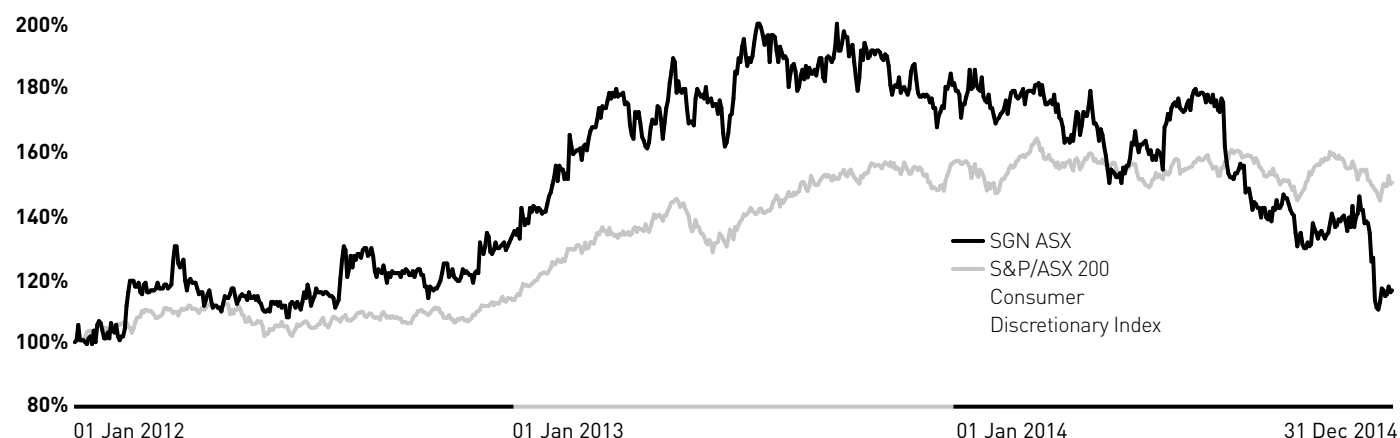
	2014	2013	2012	2011	2010
Underlying NPAT (\$million)*	45.6	49.5	44.0	41.3	38.7
Underlying EPS (cents)*	11.3	12.3	12.1	11.6	10.8
Underlying EPS growth (%)	(8.4)	1.7	5.1	6.8	16.9
Dividends per share(cents)	6.8	8.6	8.3	8.0	6.5
Share price (year end)	\$0.98	\$1.50	\$1.11	\$0.84	\$1.06
TSR (% per annum)**	(30.1)	42.9	42.0	(13.2)	52.0

* Underlying NPAT and underlying EPS show the Group's performance excluding one-off gains and losses. A reconciliation of the Group's statutory and underlying profit is disclosed in the Directors' Report on page 4.

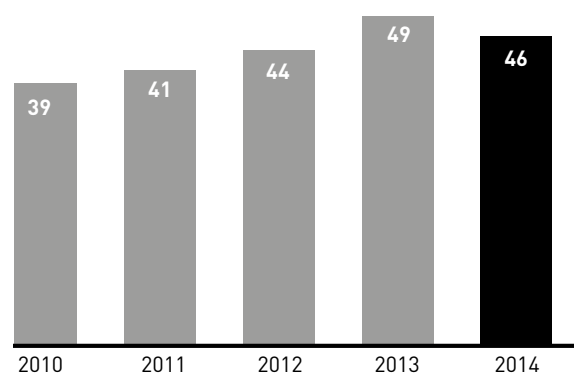
** TSR is calculated as the movement in share price and dividends received assuming reinvestment of dividends.

STW's TSR performance over the last three years compared to the S&P/ASX 200 Consumer Discretionary Index is outlined below:

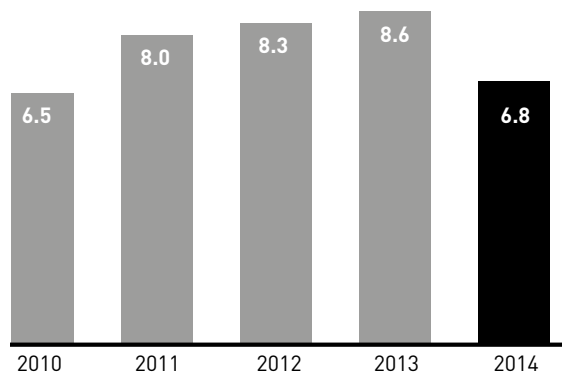
Price, volume and performance (rebased)



Underlying NPAT (\$ million)



Dividends per share (cents)



A summary of performance rights vesting under STW's LTI plan for the last three years is outlined in the following table:

Grant year	Plan	Plan	Test date	Performance hurdle	Vested %	Lapsed %
2010	2010-2012	Base	31 Dec 2012	EPS – 100% of performance hurdle achieved TSR – 92% of performance hurdle achieved	98.0%	2.0%
		Overperformance		EPS – 36% of performance hurdle achieved	36.0%	64.0%
2011	2011-2013	Base	31 Dec 2013	EPS – 25% of performance hurdle achieved TSR – 100% of performance hurdle achieved	43.8%	56.2%
		Overperformance		EPS – minimum performance hurdle not achieved	—	100%
2012	2012-2014	Base	31 Dec 2014	EPS – minimum performance hurdle not achieved TSR – minimum performance hurdle not achieved	—	100%
		Overperformance		EPS – minimum performance hurdle not achieved	—	100%

SECTION 3 – REMUNERATION OF CHIEF EXECUTIVE OFFICER

The Company's CEO is Michael Connaghan.

The remuneration level and remuneration structure have been set by the Remuneration and Nominations Committee. In setting Mr Connaghan's remuneration, the Committee receives independent advice 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.

Remuneration for the year ended 31 December 2014

Mr Connaghan's remuneration structure for the year ended 31 December 2014 is outlined below. There were no changes to Mr Connaghan's fixed remuneration and STI plan during the year.

(i) Fixed remuneration and benefits

Mr Connaghan's fixed remuneration for the year ended 31 December 2014 was \$850,000 per annum (2013: \$850,000).

(ii) Short-term incentives

For the year ended 31 December 2014, Mr Connaghan had the opportunity to earn a maximum STI of \$500,000 (2013: \$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 after the release of the Group's full-year results 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.

75% of the maximum annual entitlement payable under the STI plan is based on achieving a NPAT target. The remaining 25% of the maximum annual entitlement payable under the STI plan is based on meeting non-financial objectives. The non-financial measures include achievement of strategic goals, operational efficiencies, people management and execution of key initiatives.

Further details relating to STI plan are outlined in Section 2(b)(i) – Short-term Incentives.

For the year ended 31 December 2014, the Board determined that Mr Connaghan did not achieve the minimum performance requirements and is not entitled to any amount payable under the STI plan.

(iii) Long-term incentives – executive share plan

Shareholders approved the grant to Mr Connaghan of 266,620 performance rights in the Company's executive share plan operating between 1 January 2014 and 31 December 2016, and these will vest subject to the achievement of performance conditions.

This grant was issued on the terms of the LTI plan outlined in Section 2(b)(ii) – Long-term Incentives.

REMUNERATION REPORT (CONTINUED)

SECTION 4 – SENIOR EXECUTIVE CONTRACTUAL ARRANGEMENTS

The remuneration and other terms of employment for Senior 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.

The Company may terminate the employment of the Senior Executive without notice and without payment in lieu of notice in some circumstances. Generally, this includes 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 Senior 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 Senior Executive service agreements

Remuneration details are set out in Section 5 – Remuneration of Senior Executives.

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

Name	Michael Connaghan	Chris Savage	Lukas Aviani
Role	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer
Contract expiry date	Ongoing	Ongoing	Ongoing
Base salary	2014 – \$850,000 2013 – \$850,000	2014 – \$700,000 2013 – \$700,000	2014 – \$400,000 2013 – \$400,000
Short-term incentive plan (maximum entitlement)	2014 – \$500,000 2013 – \$500,000	2014 – \$175,000 2013 – \$175,000	2014 – \$132,500 2013 – \$132,500
Termination Benefit (Company initiated)	12 months' notice	12 months' notice	6 months' notice
Termination Benefit (employee initiated)	6 months' notice	6 months' notice	3 months' notice
Non-solicitation of personnel and clients	12 months	12 months	12 months
Non-compete	12 months	12 months	12 months

SECTION 5 – REMUNERATION OF SENIOR EXECUTIVES

(i) Statutory remuneration of Senior Executives

The following table shows the total remuneration for Senior Executives for the year ended 31 December 2014, as well as comparative figures for the year ended 31 December 2013.

The information in the table below has been calculated in accordance with Accounting Standards and, accordingly, it differs from the information in the table in Section 2 – Realised remuneration of Senior Executives, where the LTI value is based on the awards that actually vested and delivered value to Senior Executives. In the table below, the LTI value is calculated in accordance with Accounting Standards and includes an amortised accounting value for all unvested LTI grants during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest).

		Short-term employee benefits	Post employment	Share based payments			Other long-term benefits ³			
Year		Base salary ¹	STI ²	Super-annuation contributions	Deferred STI	LTI	Long service leave	Total remuneration ⁴	Total at risk	Total in LTI
		\$	\$	\$	\$	\$	\$	\$	%	%
Executive Director										
Michael Connaghan	2014	810,471	—	18,279	—	53,278	26,340	908,368	6%	6%
	2013	832,878	103,125	17,122	103,125	44,785	34,358	1,135,393	22%	4%
Other Senior Executives										
Chris Savage	2014	657,141	—	25,359	—	31,466	18,398	732,364	4%	4%
	2013	674,952	72,188	25,048	—	31,528	15,866	819,582	13%	4%
Lukas Aviani	2014	371,253	—	18,747	—	15,360	18,781	424,141	4%	4%
	2013	382,878	54,656	17,122	—	16,184	12,075	482,915	15%	3%
TOTAL	2014	1,838,865	—	62,385	—	100,104	63,519	2,064,873	5%	5%
	2013	1,890,708	229,969	59,292	103,125	92,497	62,299	2,437,890	17%	4%

1. Base salary include accrued annual leave paid out as part of salary and salary-sacrifice amounts where applicable. Senior Executives each took six days' unpaid leave during the year ended 31 December 2014.

2. For 31 December 2013, this amount represents the STI performance award for 2013 which will be paid in February 2014. No STI was awarded relating to the 2014 year.

3. 'Other long-term benefits' represents the movement in the Senior Executive's long service leave entitlements measured as the present value of the estimated future cash outflows to be made in respect of the executive's service between the respective reporting dates.

4. Total remuneration does not include any amounts relating to termination benefits for the financial year ended 31 December 2014 and 31 December 2013.

REMUNERATION REPORT (CONTINUED)

SECTION 6 – NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive Directors receive fees to recognise their contribution to the work of the Board and the associated Committees that they serve. Non-executive Directors do not receive any performance-related remuneration.

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 following table outlines the Non-executive Directors' annual fees for the Board and Committees as at 31 December 2014. Fees are inclusive of superannuation contributions required by Superannuation Guarantee legislation.

Board/Committee	Role	Annual Remuneration
Board	Chairman	\$190,000
	Member	\$90,000
Audit and Risk Committee	Chairman	\$15,000
	Member	\$5,000
Remuneration and Nominations Committee	Chairman	\$15,000
	Member	\$5,000

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.

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.

Termination payments

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

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.

Total remuneration for Non-executive Directors

	Year	Short-term employee benefits	Post-employment	Total
		Base salary	Superannuation contributions	
		\$	\$	\$
Non-executive Directors				
Robert Mactier	2014	169,595	25,405	195,000
	2013	170,111	24,889	195,000
Paul Richardson	2014	—	—	—
	2013	—	—	—
Ian Tsicalas	2014	100,584	9,416	110,000
	2013	100,860	9,140	110,000
Graham Cubbin	2014	100,539	9,461	110,000
	2013	100,860	9,140	110,000
Kim Anderson	2014	86,829	8,171	95,000
	2013	87,115	7,885	95,000
Peter Cullinane *	2014	82,259	7,741	90,000
	2013	82,500	7,500	90,000
Total	2014	539,806	60,194	600,000
	2013	541,446	58,554	600,000

* Peter Cullinane is Non-executive Chairman of Assignment, a 100% owned subsidiary of the Group. For the year ended 31 December 2014, he received a Base Salary of NZD\$350,000 per annum (2013: NZD\$350,000).

REMUNERATION REPORT (CONTINUED)

SECTION 7 – OTHER INFORMATION

Key management personnel holdings of equity instruments in STW Communications Group Limited

(i) Shares

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

Name	Balance at beginning of year	Vested and exercised during the year	Net change	Balance at end of year
Non-executive Directors				
Robert Mactier	577,964	—	—	577,964
Paul Richardson	—	—	—	—
Ian Tsicalas	65,643	—	—	65,643
Graham Cubbin	100,000	—	—	100,000
Kim Anderson	—	—	—	—
Peter Cullinane	34,500	—	—	34,500
Executive Director and other Senior Executives				
Michael Connaghan ^{1, 2, 3}	—	288,326	8,181	296,507
Chris Savage	—	65,625	(65,625)	—
Lukas Aviani	—	35,000	(35,000)	—

1. In addition to the ordinary shares held by Michael Connaghan, at the end of the year he holds 158,711 shares held on trust relating to the deferred portion of the short-term incentive plan that has been paid in STW shares. The shares are held on trust and subject to forfeiture if he resigns or his employment is terminated for cause prior to the end of the two-year deferral period.

2. Michael Connaghan was issued 65,625 shares under the 2011-2013 LTI plan and 222,701 shares under the deferred component of the STI plan for the year ended 31 December 2011. Total shares granted as remuneration is 288,326.

3. The net change in shares for Michael Connaghan comprised the issue of 8,181 shares from participation in the Company's dividend reinvestment plan.

(ii) Performance Rights – Senior Executive LTI allocations

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

	Year	Balance at start of year	Granted during the year	Vested and exercised during the year	Forfeited during the year	Balance at end of year	Exercisable post year-end	Unvested (maximum)
Michael Connaghan	2014	833,875	266,620	(65,625)	(356,250)	678,620	—	678,620
	2013	1,477,125	412,000	(942,750)	(112,500)	833,875	65,625	768,250
Chris Savage	2014	526,250	152,076	(65,625)	(225,625)	387,076	—	387,076
	2013	875,125	235,000	(471,375)	(112,500)	526,250	65,625	460,625
Lukas Aviani	2014	263,750	71,185	(35,000)	(118,750)	181,185	—	181,185
	2013	433,725	110,000	(219,975)	(60,000)	263,750	35,000	228,750

(iii) Performance Rights outstanding

The table below shows details of the number and value of performance rights granted, vested and lapsed for KMP under the LTI plan:

Name	Plan	Grant date	Maximum number granted	Maximum value at grant date ¹	Vesting Date	Vested		Lapsed		Unvested number
						Number	Value \$	Number	Value \$ (maximum)	
Michael Connaghan	2012-2014	May 2012	356,250	222,938	Feb 2015	—	—	356,250	222,938	—
	2013-2015	May 2013	412,000	329,166	Feb 2016	—	—	—	—	412,000
	2014-2016	May 2014	266,620	291,457	Feb 2017	—	—	—	—	266,620
Total			1,034,870	843,561		—	—	356,250	222,938	678,620
Chris Savage	2012-2014	Feb 2012	225,625	141,194	Feb 2015	—	—	225,625	141,194	—
	2013-2015	Feb 2013	235,000	187,753	Feb 2016	—	—	—	—	235,000
	2014-2016	Feb 2014	152,076	166,244	Feb 2017	—	—	—	—	152,076
Total			612,701	495,191		—	—	225,625	141,194	387,076
Lukas Aviani	2012-2014	Feb 2012	118,750	74,313	Feb 2015	—	—	118,750	74,313	—
	2013-2015	Feb 2013	110,000	87,884	Feb 2016	—	—	—	—	110,000
	2014-2016	Feb 2014	71,185	77,816	Feb 2017	—	—	—	—	71,185
Total			299,935	240,013		—	—	118,750	74,313	181,185

1. 'Maximum value at grant date' represents the fair value of the LTI grant determined in accordance with AASB 2 Share-based Payment. Details of the assumptions underlying the valuations are set out in Note 31 to the financial statements. The minimum total value of the grant, if the applicable vesting conditions are not met, is nil in all cases.

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 ("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, 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 activities and performance of the Group by overseeing the development of sustainable shareholder value within an appropriate framework of risk and regard for all stakeholder interests.

The Board has identified the key functions which it has reserved for itself. These duties include those outlined below:

- approval of business plans, budgets and financial policies;
- consideration of management recommendations on strategic business matters;
- establishment, promotion and maintenance of proper processes and controls to maintain the integrity of accounting and financial records and reporting;
- fair and responsible reward of executives, having regard to the interests of shareholders, the performance of executives, market conditions and the Company's performance;
- adoption and oversight of implementation of appropriate corporate governance practices;
- oversight of the establishment, promotion and maintenance of effective risk management policies and processes;
- determination and adoption of the Company's dividend policy;
- review of the Board's composition and performance;
- appointment, evaluation and remuneration of the Chief Executive Officer and approval of the appointment of the Chief Operating Officer, Chief Financial Officer and the Company Secretary; and
- determination of the extent of the Chief Executive Officer's delegated authority.

Full details are set out in the Board Charter, a copy of which is available 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

The Board has delegated to the Chief Executive Officer the authority and powers necessary to implement the strategies approved by the Board and to manage the business affairs of the Company within the policies and specific delegation limits specified by the Board from time to time.

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.

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

Further information on performance evaluation and remuneration is set out in the Remuneration Report starting on page 9.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Membership of the Board

The Board comprises of Directors who possess an appropriate range of skills, experience and expertise to:

- have a proper understanding of, and competence to deal with, the current and emerging issues of the business;
- exercise independent judgement;
- encourage enhanced performance of the Company; and
- effectively review and challenge the performance of management.

Directors' profiles – with details of Directors' skills, experience and special expertise – are on pages 2 and 3 in this Annual Report.

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.

The Chairman is selected by Non-executive Directors of the Board. The roles of Chairman and Chief Executive Officer are not held by the same person.

The Board has a majority of independent Directors.

Name	Position	Independent	Reason for Non-independence	Appointed	Length of service
Robert Mactier	Chairman	Yes	—	2006	8 years
Michael Connaghan	Chief Executive Officer	No	—	2008	6 years
Paul Richardson	Non-executive Director	No	Associated directly with a substantial shareholder – Cavendish Square Holdings BV (WPP plc)	1999	15 years
Ian Tsicalas	Non-executive Director	Yes	—	2007	7 years
Graham Cubbin	Non-executive Director	Yes	—	2008	6 years
Peter Cullinane	Non-executive Director	No	Chairman of a subsidiary of STW	2010	4 years
Kim Anderson	Non-executive Director	Yes	—	2010	4 years

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.

The Board regularly considers and assesses the independence of each Director in light of the interests and information that Directors disclose. In accordance with the Corporations Act 2001, Directors are required to advise the Company of any material personal interests they have in a matter.

In assessing independence, the Board will have regard to whether the Director has any of the following relationships with the Company or another Group company:

- 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 another Group member other than as a Director of the Group.

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.

Meetings of the Board

The Chief Executive Officer, in consultation with the Chairman, establishes the meeting agendas to ensure adequate coverage of strategic, financial and material risk matters throughout the year. Executives are invited to attend Board meetings and are available for contact by Non-executive Directors between meetings.

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.

The Company Secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board on corporate governance and regulatory matters. All Directors have unrestricted access to the advice and services of the Company Secretary.

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. 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.

The number of meetings of the Company's Board and Committees held during the year ended 31 December 2014, and the number of meetings attended by each Director, is set out in the Directors' Report on page 5.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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, all 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 5.

Recommendations for nominations of new Directors are made by the Remuneration and Nominations Committee and considered by the Board as a whole. If a new Director is appointed during the year, that person will stand for election by shareholders at the next Annual General Meeting. Shareholders are provided with appropriate information to judge the adequacy of candidates.

The Remuneration and Nominations Committee conducts periodic assessments of the Board's competencies to determine the appropriate composition of the Board and to consider the desirable depth and range of skills and diversity required for any new Board members. The Remuneration and Nominations Committee will draw on industry contacts and, where appropriate, will engage external consultants to assist with the identification and selection of a diverse range of candidates. The Remuneration and Nominations Committee will also have regard to such criteria as independence, commercial capability, cultural fit and time availability to meet the commitment required.

Induction

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 an induction program which covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues.

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.

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 the matter, 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 2014.

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 senior 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 copy of the Corporate Code of Conduct and Code of Conduct for Directors and senior 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.

Diversity Policy and objectives

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.

In 2013, STW's Diversity Council was established to ensure ongoing focus on, and promotion of, workplace diversity. The Council is chaired by the Chief Executive Officer 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.

Diversity progress in 2014

The Board commits to measurable diversity objectives each year. In 2014, these included:

Objective	Initiative/Outcome
Build awareness of gender diversity and set it as a key business priority	STW has initiated an unconscious bias training pilot for selected executives to raise awareness of unconscious bias and its impact on workplace decisions and outcomes. In 2015, it is planned to extend this training to executives throughout the Group.
Increase the representation of women in management positions	<p>STW and Group companies are undertaking a broad range of ongoing initiatives under the Diversity Council to continue to identify and promote the development of talented women and increase the gender diversity of the pipeline of potential successors for senior leadership roles including:</p> <ul style="list-style-type: none"> — 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 2014, STW Women in Leadership held functions in Melbourne and Sydney attended by more than 250 women; and — 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. In 2014, 55% of the participants in the STW High Performer program, were female. <p>Overall, women in senior management roles in 2014 was 33%, compared to 32% in 2013.</p>
Create an environment for women to network and mentor each other to progress their careers within the Group	<p>A 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.</p> <p>During 2014, 88 women (44 mentors and 44 mentees) were involved in the mentoring program.</p>

Gender diversity outcomes

In 2014, 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 2014 are set out below:

Gender diversity Role	31 December 2014		31 December 2013	
	Male	Female	Male	Female
Board	86%	14%	86%	14%
Senior management	67%	33%	68%	32%
Management	52%	48%	54%	46%
Non-management	47%	53%	44%	56%

Workplace gender equality

Under the Workplace Gender Equality Act 2012, STW Communications Group Limited is required to lodge an annual public report with the Workplace Gender Equality Agency. The Company's 2013-14 report has been lodged with the Agency and a copy of the report can be accessed on the Company's website.

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, with 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 2 and 3 in this Annual Report.

The Committee meets at least three times per year, and during 2014 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 auditor, 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 auditor;
- meets with the external auditor 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 auditor and management irrespective of whether they have been resolved;
- meets at least twice a year separately with the external auditor without executives present; and
- provides the external auditor 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 executive 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 2014, the Board has received formal assurance from the Chief Executive Officer and Chief Financial Officer that:

- the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and performance; and
- the risk management and internal control systems are sound and operating effectively, in all material respects.

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 an external auditor that clearly demonstrates 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. The external auditor 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 Audit and Risk Committee. During the reporting period, management 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 executives 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 Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and performance; and
- the risk management and internal control systems are sound and operating effectively, in all material respects.

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 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, to comprise 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 9 to 25.

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, Senior Executives and Non-executive Directors.

The Company 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 9 to 25.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 14

		Consolidated Entity	
	Notes	2014 \$'000	2013 \$'000
Continuing operations			
Revenue	4(a)	452,613	406,188
Other income	4(b)	6,759	5,512
Share of net profits of joint ventures and associates accounted for using the equity method	4(c)	12,562	12,894
Total		471,934	424,594
Cost of sale of goods		(45,931)	(11,163)
Changes in inventories of finished goods and work in progress		(1,711)	—
Employee benefit expense		(257,122)	(245,682)
Occupancy costs		(24,824)	(24,784)
Depreciation expense	5(a)	(8,757)	(7,863)
Amortisation expense	5(a)	(1,247)	(560)
Travel, training and other personal costs		(13,845)	(12,697)
Research, new business and other commercial costs		(9,163)	(7,255)
Office and administration costs		(15,796)	(17,344)
Compliance, audit and listing costs		(9,163)	(8,574)
Finance costs	5(b)	(14,190)	(13,478)
Profit before income tax		70,185	75,194
Income tax expense	6	(12,787)	(13,540)
Net profit		57,398	61,654
Net profit attributable to:			
– Non-controlling interests		12,823	12,198
– Members of the Parent Entity		44,575	49,456
		Cents	Cents
Earnings per share:			
Basic earnings per share	7	11.06	12.35
Diluted earnings per share	7	11.06	12.34

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 14

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Net profit	57,398	61,654
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Exchange gain arising on translation of foreign operations	4,900	12,125
Reclassification adjustment relating to disposal of foreign operations	—	(523)
Fair value (loss)/gain on cash flow hedges taken to equity	(923)	1,146
Income tax credit/(expense) relating to components of other comprehensive income	277	(344)
Other comprehensive income (net of tax)	4,254	12,404
Total comprehensive income	61,652	74,058
Total comprehensive income attributable to:		
– Non-controlling interests	13,974	13,612
– Members of the Parent Entity	47,678	60,446

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 14

	Notes	Consolidated Entity	
		2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	9	19,926	43,271
Trade and other receivables	10	171,282	169,491
Inventories	11	4,877	—
Other current assets	12	7,134	5,328
Total current assets		203,219	218,090
Non-current assets			
Other receivables	13	13,103	16,478
Investments accounted for using the equity method	14	121,577	116,750
Other financial assets	15	706	583
Plant and equipment	16	40,801	33,703
Deferred tax assets	17	14,388	11,130
Intangible assets	18	555,641	505,156
Other non-current assets	19	2,208	836
Total non-current assets		748,424	684,636
Total assets		951,643	902,726
Current liabilities			
Trade and other payables	20	162,884	172,144
Borrowings	21	100,820	215
Current tax liabilities	6	4,172	6,054
Provisions	22	11,124	8,239
Total current liabilities		279,000	186,652
Non-current liabilities			
Other payables	23	27,973	42,325
Borrowings	24	111,864	172,150
Deferred tax liabilities	25	3,994	2,642
Provisions	26	3,111	3,059
Total non-current liabilities		146,942	220,176
Total liabilities		425,942	406,828
Net assets		525,701	495,898
Equity			
Issued capital	27	322,471	315,240
Reserves	28	31,361	27,228
Retained earnings	29	116,798	106,770
Equity attributable to members of the Parent Entity		470,630	449,238
Non-controlling interests		55,071	46,660
Total equity		525,701	495,898

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 14

Attributable to equity holders of the Consolidated Entity

Notes	Issued capital \$'000	Equity Transactions settled share-based payment reserve* \$'000	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 2013	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	27	1,411	(1,411)	—	—	—	—	—	—	—
Cost of share-based payments	28	—	(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
Net profit	—	—	—	—	—	—	44,575	44,575	12,823	57,398
Other comprehensive income	—	—	—	—	(646)	3,749	—	3,103	1,151	4,254
Total comprehensive income	—	—	—	—	(646)	3,749	44,575	47,678	13,974	61,652
Non-controlling interests on acquisition of controlled entities and disposal of non-controlling interests	—	—	904	—	—	—	—	904	(48)	856
Cost of share-based payments	28	—	529	—	—	—	—	529	—	529
Issue of shares as remuneration	27	403	(403)	—	—	—	—	—	—	—
Issue of new shares under dividend reinvestment plan	27	6,828	—	—	—	—	—	6,828	—	6,828
Equity dividends provided for or paid	8	—	—	—	—	—	(34,547)	(34,547)	(5,515)	(40,062)
At 31 December 2014	322,471	304	6,053	16,275	(920)	9,649	116,798	470,630	55,071	525,701

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 14

	Notes	Consolidated Entity	
		2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		1,107,318	1,035,535
Payments to suppliers and employees		(1,052,577)	(976,681)
Net cash flows from operations		54,741	58,854
Interest received		711	1,570
Interest and other costs of finance paid		(12,458)	(11,685)
Dividends and trust distributions received from joint ventures and associates		8,334	6,679
Income taxes paid		(18,346)	(20,005)
Net cash flows from operating activities	9	32,982	35,413
Cash flows from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired	33(c)	(28,840)	(6,037)
Payments for purchase of joint ventures and associates		(651)	(3,466)
Payments for purchase of plant and equipment		(9,083)	(15,873)
Proceeds from sale of controlled entities and associates		1,562	2,781
Earnout payments and intangible assets acquired		(10,417)	(17,719)
Loan (to)/from joint ventures and associates		(3,548)	8,977
Net cash flows used in investing activities		(50,977)	(31,337)
Cash flows from financing activities			
Proceeds from borrowings		274,575	231,500
Repayments of borrowings		(252,250)	(195,351)
Proceeds from issue of shares	27	6,828	—
Equity holder dividends paid	8	(34,547)	(33,335)
Dividends paid to non-controlling interests		(5,515)	(8,521)
Proceeds from sale and leaseback		5,963	—
Payments on finance leases		(857)	—
Net cash flows used in financing activities		(5,803)	(5,707)
Net decrease in cash held		(23,798)	(1,631)
Effects of exchange rate changes on cash and cash equivalents		453	1,261
Cash and cash equivalents at the beginning of the year		43,271	43,641
Cash and cash equivalents at the end of the year	9	19,926	43,271

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of STW Communications Group Limited for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors, dated 20 February 2015.

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 an historical cost basis, except for the revaluation of certain financial instruments. Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures. For reporting purposes the Group is considered a for profit entity.

(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:

Standards and Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, and the relevant amending standards	1 January 2018	31 December 2018
AASB 2014-1 Amendments to Australian Accounting Standards - Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles - Part B: Defined Benefit Plans: Employee contributions (Amendments to AASB 119) - Part C: Materiality	1 July 2014	31 December 2015
AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of interests in Joint Operations	1 January 2016	31 December 2016
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	31 December 2016
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	31 December 2017
AASB 2014-9 Amendments to Australian Accounting Standards - Equity method in Separate Financial Statements	1 January 2017	31 December 2017
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	31 December 2016
AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	31 December 2016

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 Australian Accounting Standards Board has issued AASB 15 Revenue from Contracts with Customers applicable for annual reporting periods commencing on or after 1 January 2017. AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to determine what impact, if any, this standard will have on the Group's financial statements.

Net Working Capital

As at 31 December 2014, the consolidated statement of financial position shows current liabilities in excess of current assets by \$75.8 million. At 31 December 2014, the consolidated entity has secured loans totalling \$270 million (of which \$207 million is drawn at 31 December 2014).

Subsequent to the end of the year, the Company extended \$100 million of debt facilities maturing in 2015 to January 2018. The original maturity dates of the \$100 million were January 2015 (\$75 million) and July 2015 (\$25 million).

(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 2014 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 to consolidate the controlled entity's target earnings and statement of financial position based on the ultimate future ownership. This is notwithstanding that the Group's ownership interests in the target entity is less than the ultimate future ownership at year end. An estimate is made of the likely future capital payment to be made upon exercise of the put or call option. Additionally, an estimate is made of likely future distribution payments to be made to the non-controlling 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-current liability titled 'Deferred cash settlement for controlled entities and associates acquired' as shown in Notes 20 and 23. 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) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control involves the contractually agreed sharing of control over an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity

method of accounting, after initially being recognised at cost. The Group's investments in joint ventures include goodwill identified on acquisition. Impairment losses are charged to the profit or loss and any reversals are credited to the profit or loss.

(iii) Associates

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

(iv) Changes in ownership interests

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

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

(D) ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Company is 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 14 (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 statement of financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings, are taken to equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in 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. The value of media billings is included in 'Receipts from customers' in the consolidated cash flow statement.

(iii) Production revenue

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

(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 earned.

(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.

(viii) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(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 other 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 14 (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) INVENTORIES

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(N) 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 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.

(O) 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.

(P) 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, net of their residual values, over their estimated useful lives to the Consolidated Entity as follows – plant and equipment: 12%-40% per annum.

Depreciation on plant and equipment acquired as part of the Active Display Group acquisition is calculated using diminishing value method at a rate of 13%-50% 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 14 (CONTINUED)

(Q) INTANGIBLE ASSETS

(i) Goodwill

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

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

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

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

(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.

(v) Customer relationships

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

(R) 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.

(S) 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.

(T) 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.

(U) 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.

(V) 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.

(iii) 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 9 to 25.

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.

(W) 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.

(X) 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.

(Y) 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.

(Z) 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 30. 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 14 (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(q) and 18.

(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), 20 and 23.

(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 9 to 25.

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 2014 and 31 December 2013:

	Advertising, Production and Media		Diversified Communications		Holding company and unallocated		Consolidated Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue from services rendered	204,039	195,518	247,863	209,100	—	—	451,902	404,618
Share of net profits of joint ventures and associates	9,420	10,936	3,142	1,958	—	—	12,562	12,894
Other income	1,380	1,418	429	889	4,950	3,205	6,759	5,512
Segment revenue	214,839	207,872	251,434	211,947	4,950	3,205	471,223	423,024
Segment result - EBITDA	55,089	60,924	42,999	41,971	(4,420)	(7,370)	93,668	95,525
Depreciation and amortisation expense							(10,004)	(8,423)
Net interest							(13,479)	(11,908)
Profit before income tax							70,185	75,194
Income tax expense							(12,787)	(13,540)
Net profit							57,398	61,654
Net profit attributable to:								
– Non-controlling interests							12,823	12,198
– Members of the Parent Entity							44,575	49,456

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 4. REVENUE

	Consolidated Entity	
	2014 \$'000	2013 \$'000
(a) Revenue		
Services rendered	451,902	404,618
Interest income		
Associates	136	23
Other entities	575	1,547
Total interest income	711	1,570
Total revenue	452,613	406,188
(b) Other income		
Other revenue	6,759	5,512
Total other income	6,759	5,512
(c) Share of net profits of joint ventures and associates accounted for using the equity method		
Equity share of joint ventures and associates' net profits	12,562	12,894

NOTE 5. EXPENSES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Profit before income tax includes the following specific expenses/(gains):		
(a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
Plant and equipment	8,757	7,863
Total depreciation of non-current assets	8,757	7,863
Amortisation of non-current assets:		
Intangible assets	1,247	560
Total amortisation of non-current assets	1,247	560
Total depreciation and amortisation expense	10,004	8,423
(b) Finance costs		
Interest expense – deferred consideration payable	1,472	1,793
Interest expense – other parties	12,718	11,685
Total finance costs	14,190	13,478
(c) Other (gains)/expenses		
Gain on fair value adjustment on non-current liability (deferred cash settlement)	(4,666)	(2,419)
Acquisition related costs	1,977	2,306
Loss on disposal of plant and equipment	160	31
Foreign exchange loss/(gain)	166	(280)
Superannuation contributions	14,127	13,056
(d) Operating lease rental		
Minimum lease payments	22,554	22,808

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 6. INCOME TAX

	Consolidated Entity	
	2014 \$'000	2013 \$'000
(a) Income tax expense		
Current tax	15,166	17,035
Deferred tax	(2,352)	(3,540)
Adjustments for current tax of prior periods	(27)	45
Income tax expense reported in the consolidated statement of profit or loss	12,787	13,540
(b) Current tax assets and liabilities included in the financial statements		
Current tax liabilities	(4,172)	(6,054)
	(4,172)	(6,054)
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	70,185	75,194
Tax at the Australian tax rate of 30% (2013: 30%)	21,056	22,558
Adjustments for current tax of prior periods	(27)	45
Tax adjustments resulting from equity accounting	(3,769)	(3,868)
Other items allowable for income tax purposes	(4,473)	(5,195)
Income tax expense reported in the consolidated statement of profit or loss	12,787	13,540
(d) Tax expense relating to components of other comprehensive income		
Cash flow hedges (refer to Note 28)	(277)	344

(e) Tax losses

The Group has tax losses arising in Australia of \$9,852,748 on revenue account and \$3,680,700 on capital account (2013: \$7,602,816 on revenue account and \$3,680,700 on capital account) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

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

(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 2014, there is no recognised or unrecognised deferred income tax liability (2013: \$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, joint ventures 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(y)(i) and 1(y)(ii), respectively.

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

	Consolidated Entity	
	2014	2013
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the Company from continuing operations for basic earnings per share	44,575	49,456
Effect of dilution:		
Dilutive adjustments to net profit	–	–
Net profit attributable to ordinary equity holders of the Company for diluted earnings per share	44,575	49,456
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	403,070,229	400,527,461
Impact of ESP shares where earnings per share growth performance targets have been met	86,783	413,438
Weighted average number of ordinary shares for diluted earnings per share	403,157,012	400,940,899
	Cents	Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		
Basic earnings per share	11.06	12.35
Diluted earnings per share	11.06	12.34

Information concerning the classification of securities

Performance rights 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 rights have not been included in the determination of basic earnings per share. Details relating to performance rights are set out in Note 27.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 8. DIVIDENDS PAID AND PROPOSED

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2013: 5.3 cents per share (2012: 5.0 cents per share)	21,283	20,047
Interim franked dividend for 2014: 3.3 cents per share (2013: 3.3 cents per share)	13,252	13,231
Dividends paid pursuant to the ESP	12	57
	34,547	33,335

In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 3.5 cents (2013: 5.3 cents) per fully paid ordinary share, fully franked at 30%.

The aggregate amount of the proposed final dividend payable on 28 April 2015 (2013: 16 April 2014) out of retained earnings, but not recognised as a liability, is:

14,261 21,403

Franking credit balance

The franked portions of dividends recommended after 31 December 2014 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 2015.

Franking credits available for subsequent years based upon a tax rate of 30%

6,034 13,197

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	6,112	9,173
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A dividend reinvestment plan ("DRP") will operate in respect of the final dividend. The key terms of the Company's DRP are:

- a 2.5% discount is applicable to shares issued under the DRP
- no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP
- shares allotted under the DRP will rank equally in all respects with existing shares. The price at which shares are issued under the DRP is the volume weighted average market price of STW Communications Group Limited's shares sold in the ordinary course of trading on the ASX over a period of seven business days beginning on 9 April 2015 and ending on 17 April 2015.

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity	
		2014 \$'000	2013 \$'000
Cash on hand		94	261
Cash at bank		18,243	36,104
Cash on deposit		1,589	6,906
		19,926	43,271
Reconciliation of net profit to net cash flows from operating activities			
Net profit		57,398	61,654
Share of joint ventures and associates' net profits, net of dividends and trust distributions received		(4,228)	(6,215)
Depreciation and amortisation expense		10,004	8,423
ESP expense non-cash		529	(564)
Interest expense – deferred consideration payable		1,472	1,793
Loss on disposal of plant and equipment	5(c)	160	31
Gain on fair value adjustment on non-current liability (deferred cash settlement)		(4,666)	(2,419)
Changes in operating assets and liabilities, net of effects of purchase and disposal of controlled entities during the financial year:			
Decrease/(increase) in trade and other receivables		9,329	(8,323)
Increase in inventories		(1,555)	—
Increase in other non-current receivables		(1,343)	(2,603)
(Increase)/decrease in deferred tax assets		(1,390)	969
Decrease in trade and other payables		(17,023)	(4,026)
Decrease in current income tax liabilities		(4,170)	(3,383)
Decrease in provisions		(7,515)	(3,731)
Decrease in other liabilities		(4,021)	(6,193)
Net cash flows from operating activities		32,982	35,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Trade receivables	158,308	152,197
Provision for impairment of receivables	(450)	(562)
	157,858	151,635
Other receivables	13,424	17,856
	171,282	169,491

(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 2014, current trade receivables of the Group with a nominal value of \$450,000 (2013: \$562,000) 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	
	2014 \$'000	2013 \$'000
Balance at the beginning of the year	562	871
Impairment losses recognised on receivables	369	151
Amounts written off as uncollectible	(291)	(81)
Impairment losses reversed	(190)	(379)
Balance at the end of the year	450	562

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 2014, trade receivables greater than 60 days of \$10,322,000 (2013: \$6,561,000) 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	
	2014 \$'000	2013 \$'000
1 - 30 days	132,886	136,243
31 - 60 days	14,650	8,831
Greater than 60 days	10,322	6,561
	157,858	151,635

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 30.

(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 30 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 14 (CONTINUED)

NOTE 11. CURRENT ASSETS – INVENTORIES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Raw materials and stores	999	—
Work in progress	3,520	—
Finished goods	568	—
Provision for impairment	(210)	—
	4,877	—

NOTE 12. CURRENT ASSETS - OTHER CURRENT ASSETS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Prepayments	7,134	5,328
	7,134	5,328

NOTE 13. NON-CURRENT ASSETS – OTHER RECEIVABLES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Amounts receivable from joint ventures and associates	13,103	16,478
	13,103	16,478

During the year ended 31 December 2014, there were no movements in the provision for impairment of receivables (2013: \$Nil).

(A) RELATED PARTY RECEIVABLES

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

The Consolidated Entity and its joint ventures 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.

(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 30.

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

		Consolidated Entity		
		2014 \$'000	2013 \$'000	
Investments in joint ventures and associates		121,577	116,750	
Name	Principal activity	Ownership interest		Country of incorporation
		2014	2013	
AFI Branding Solutions Pty Limited (iii)	Promotional signage printing	50%	—	Australia
AFI Fabrications Pty Limited (iii)	Promotional signage printing	45%	—	Australia
Amblique Pty Limited	Digital marketing	40%	40%	Australia
Beyond Analysis Australia Pty Limited	Data analytics	49%	49%	Australia
Bohemia Communications Pty Limited	Media planning	24%	24%	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	Digital marketing	40%	40%	Singapore
Cru Holdings Pty Limited (i)	Digital marketing	—	39.2%	Australia
Enigma Communication Pty Limited (ii)	Advertising	—	20%	Australia
Evocatif Pty Limited (i)	Communications	—	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	Digital marketing	49%	49%	Australia
Houston Group Pty Limited	Branding and design	40%	40%	Australia
Ikon3 LLC (ii)	Media planning	—	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
Lakewood Holdings Pty Limited (iii)	Dormant	50%	—	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
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 purchased additional shares in this entity during the year, resulting in the acquisition of a controlling interest. As a result, this investment has been consolidated as a subsidiary in the current year and is no longer accounted for under the equity method.

(ii) The Company disposed of all of its shares in the entity during the year. The gain on disposal was immaterial.

(iii) The Company acquired shares in the entity during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

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

(A) REPORTING DATES

All joint ventures and associates have prepared accounts as at 31 December 2014 for the purpose of preparing the consolidated financial statements. As such, there is no difference in the reporting dates or periods between the investor and the investees.

(B) PUBLISHED FAIR VALUES

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

(C) SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES AND ASSOCIATES

The following table provides summarised financial information for those joint ventures and associates that are material to the Group:

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

	2014 \$'000	2013 \$'000
Current assets	23,075	34,194
Non-current assets	21,228	18,610
Total assets	44,303	52,804
Current liabilities	7,369	17,902
Non-current liabilities	1,010	878
Total liabilities	8,379	18,780
Net assets	35,924	34,024

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

	2014 \$'000	2013 \$'000
Net assets of the associate	35,924	34,024
Proportion of the Group's ownership interest in J. Walter Thompson Group	49%	49%
Carrying amount of the Group's interest in J. Walter Thompson Group	17,603	16,672
Dividends received from J. Walter Thompson Group	1,896	1,435
The Group's share of J. Walter Thompson Group's net profit	2,601	2,541

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

	2014 \$'000	2013 \$'000
Current assets	160,285	152,915
Non-current assets	5,135	8,076
Total assets	165,420	160,991
Current liabilities	134,362	127,130
Non-current liabilities	403	300
Total liabilities	134,765	127,430
Net assets	30,655	33,561

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:

	2014 \$'000	2013 \$'000
Net assets of the associate	30,655	33,561
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	14,561	15,941
Dividends received from M Media Group	3,325	3,484
The Group's share of M Media Group's net profit	5,224	7,330

In addition to the material interests in associates disclosed above, the Group also has interests in a number of individually immaterial joint ventures and associates that are accounted for using the equity method.

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Aggregate carrying amount of individually immaterial joint ventures and associates	14,843	13,833
Aggregate amounts of the Group's share of:		
Profit from continuing operations	4,737	3,023
Other comprehensive income	—	—
Total comprehensive income	4,737	3,023

(D) DIVIDENDS AND TRUST DISTRIBUTIONS RECEIVED

During the year, the Consolidated Entity received dividends and trust distributions of \$8,334,018 (2013: \$6,679,249) from its joint ventures and associates.

(E) COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 15. 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	
	2014 \$'000	2013 \$'000
Listed securities		
Shares in listed entities – at fair value	588	457
Unlisted securities		
Shares in other entities - at fair value	118	126
	706	583

NOTE 16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Plant and equipment		
At cost	77,930	62,075
Accumulated depreciation	(37,129)	(28,372)
Total plant and equipment	40,801	33,703

RECONCILIATIONS

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

	Plant and equipment \$'000	Total \$'000
At 1 January 2013		
At cost	46,004	46,004
Accumulated depreciation	(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 subsidiaries (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

	Plant and equipment \$'000	Total \$'000
At 31 December 2013		
At cost	62,075	62,075
Accumulated depreciation	(28,372)	(28,372)
Net carrying amount	33,703	33,703
Year ended 31 December 2014		
Balance at the beginning of the year	33,703	33,703
Additions	9,083	9,083
Acquisition of subsidiaries (refer to Note 33)	6,932	6,932
Disposals	(160)	(160)
Depreciation expense	(8,757)	(8,757)
Balance at the end of the year	40,801	40,801
At 31 December 2014		
At cost	77,930	77,930
Accumulated depreciation	(37,129)	(37,129)
Net carrying amount	40,801	40,801

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Provisions	2,458	2,448
Doubtful debts	1,161	856
Accruals	3,178	2,451
Deferred interest rate hedge	394	117
Tax losses carried forward	2,956	2,281
Other	4,241	2,977
Gross deferred tax assets	14,388	11,130

Movements

Opening balance	11,130	11,207
Credited to the consolidated statement of profit or loss	1,154	(574)
Acquisition of subsidiaries (refer to Note 33)	1,827	841
Credited/(charged) to equity	277	(344)
Closing balance	14,388	11,130

	Provisions \$'000	Doubtful debts \$'000	Accruals \$'000	Deferred interest rate hedge \$'000	Tax losses carried forward \$'000	Other \$'000	Total \$'000
Movements – consolidated							
At 1 January 2013	2,487	206	2,401	461	1,843	3,809	11,207
(Charged)/credited to the consolidated statement of profit or loss	(880)	650	50	—	438	(832)	(574)
Acquisition of subsidiaries (refer to Note 33)	841	—	—	—	—	—	841
Charged to equity	—	—	—	(344)	—	—	(344)
At 31 December 2013	2,448	856	2,451	117	2,281	2,977	11,130
(Charged)/credited to the consolidated statement of profit or loss	(659)	305	727	—	(483)	1,264	1,154
Acquisition of subsidiaries (refer to Note 33)	669	—	—	—	1,158	—	1,827
Credited to equity	—	—	—	277	—	—	277
At 31 December 2014	2,458	1,161	3,178	394	2,956	4,241	14,388

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Goodwill	479,085	438,969
Brand names	57,027	57,027
Intellectual property	11,429	9,160
Customer relationships	8,100	—
Total intangible assets	555,641	505,156

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:

	Goodwill \$'000	Brand names \$'000	Intellectual property \$'000	Customer relationships \$'000	Total \$'000
At 1 January 2013					
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

Balance at the beginning of the year	429,018	57,027	9,488	—	495,533
Additions	—	—	649	—	649
Acquisition of subsidiaries (refer to Note 33)	11,847	—	—	—	11,847
Disposal of controlled entity (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 carrying amount	438,969	57,027	9,160	—	505,156

	Goodwill \$'000	Brand names \$'000	Intellectual property \$'000	Customer relationships \$'000	Total \$'000
Year ended 31 December 2014					
Balance at the beginning of the year	438,969	57,027	9,160	—	505,156
Additions	—	—	2,604	—	2,604
Acquisition of subsidiaries (refer to Note 33)	31,022	—	512	8,500	40,034
Disposal of controlled entity (refer to Note 34)	—	—	—	—	—
Net exchange differences on translation of financial reports	4,261	—	—	—	4,261
Movements in the estimate of deferred cash settlement	4,833	—	—	—	4,833
Amortisation expense	—	—	(847)	(400)	(1,247)
Balance at the end of the year	479,085	57,027	11,429	8,100	555,641

At 31 December 2014

At cost	482,352	57,027	15,797	8,500	563,676
Accumulated impairment and amortisation	(3,267)	—	(4,368)	(400)	(8,035)
Net book value	479,085	57,027	11,429	8,100	555,641

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

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

(A) AMORTISATION CHARGE

The amortisation charge of \$1,247,000 (2013: \$560,000) is recognised in the 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 2014 or 31 December 2013.

(C) IMPAIRMENT OF CASH GENERATING UNITS ("CGU") INCLUDING GOODWILL AND INDEFINITE LIFE ASSETS

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually on 31 December for goodwill and intangible assets with indefinite useful lives. Indicators of impairment for all of the Group's assets, including operating assets, are also performed on an annual basis. Where an indication of impairment is identified a formal impairment assessment is performed.

Impairment testing

In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of a CGU or group of CGUs exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use. In all instances the Group has prepared a value-in-use model for the purpose of impairment testing as at 31 December 2014.

In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the group of assets making up the CGUs and of cash flows associated with disposal of any of these assets. The cash flows are estimated for the assets of the CGUs in their current condition and discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the CGUs. The Group uses a five year discounted cash flow model based on Board approved budgets with a terminal growth rate for years beyond the five year budget period.

Details of the key assumptions used in the value-in-use calculations at 31 December 2014 are included below:

Year 1 cash flows

This is based upon the annual budget for 2015 approved by the Directors, which reflects 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.

Year 2 to 5 cash flows

These cash flows are forecast using year 1 as a base and a growth rate applied to revenue and expenses in years 2 to 5. The rate of change takes into account management's best estimate of the likely results in these periods, industry forecasts and historical actual rates. A growth rate of 2.5% (2013: 3.0%) has been applied across all CGUs.

Terminal growth factor

A terminal growth factor that estimates the long term average growth for that CGU is applied to the year 5 cash flows into perpetuity. A rate of 2.5% (2013: 3.0%) has been used for each of the CGU's cash flows. The terminal growth factor is derived from management's best estimate of the likely longer-term trading performance with reference to external industry reports.

Discount rate

The discount rate is an estimate of the post-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU. The post-tax discount rate applied to the CGU group's cash flow projections was 10.5% (2013: 10.85%). 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.

Impact of possible change in key assumptions

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the marketing and communications industry. The Directors have applied their best estimates to each of these variables but cannot warrant their outcome. To assess the impact of this significant uncertainty, and the range of possible outcomes, sensitivity analysis is disclosed below.

Changes in the assumptions used in the value-in-use model, when considered in isolation, will result in the following impairment impact on the profit or loss.

		Impairment \$'000			
Sensitivity	Variable	Mass communications	Media and digital asset management	Brand development and management	Specialist communications
Discount rate	+0.5	4,819	—	—	3,301
Year 1 - 5 growth rate	-0.5	—	—	—	—
Terminal growth factor	-0.5	5,125	—	—	1,719

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

Impact of changes to growth rates

The annual growth rate and terminal growth factor that would result in each CGU group's recoverable amount falling below its carrying value are as follows: Mass communications: 2.26%; Media and digital asset management: (2.37%); Brand development and management: 1.47%; Specialist communications: 2.22%.

Impact of changes to discount rate

Management notes that the discount rate would have to increase to 10.82% (2013: 12.3%) (post-tax) for the recoverable amount of the mass communication and specialist communication unit's valuation to fall below their carrying value, all other assumptions 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 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.

(D) ALLOCATION OF GOODWILL AND INTANGIBLE ASSETS TO CGU

For the financial year ended 31 December 2014, goodwill and brand names were allocated to the CGU groups below.

	Goodwill		Intangible assets with indefinite useful lives	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Mass communications	143,976	141,513	57,027	57,027
Media and digital asset management	124,809	121,900	—	—
Brand development and management	130,646	95,902	—	—
Specialist communications	79,654	79,654	—	—
Total intangible assets	479,085	438,969	57,027	57,027

NOTE 19. NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Prepayments	2,208	836
	2,208	836

NOTE 20. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Trade payables	109,619	126,174
Interest rate hedge liabilities (refer to Note 20(d))	1,314	391
Sundry and other payables	32,376	25,447
Amounts payable to other related parties	453	122
Deferred cash settlement for controlled entities and associates acquired	16,871	9,908
Deferred income	2,251	10,102
	162,884	172,144

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 20. 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 2014 was as follows:

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Total mark to market liability	1,314	391

Further details relating to the Group's derivative financial instruments are outlined in Note 30.

(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 30).

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 2.94% (2013: 2.55%) 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 2.59% and 3.11% (2013: 3.00% 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 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Secured – at amortised cost		
Bank loans	100,000	215
Finance lease	820	—
	100,820	215

Subsequent to the end of the year, the Company extended \$100 million of debt facilities maturing in 2015 to January 2018. The original maturity dates of the \$100 million were January 2015 (\$75 million) and July 2015 (\$25 million).

Further information relating to the Company's debt facilities have been outlined in Note 24.

(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 24.

(B) RISK EXPOSURE

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 30.

NOTE 22. CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Employee benefits	11,124	8,239

NOTE 23. NON-CURRENT LIABILITIES – OTHER PAYABLES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Deferred cash settlement for controlled entities and associates acquired	14,793	25,596
Sundry and other payables	24	191
Amounts payable to joint ventures and associates	13,156	16,538
	27,973	42,325

(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 14 (CONTINUED)

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Secured – at amortised cost		
Bank loans	107,075	172,150
Finance lease	4,789	—
	111,864	172,150

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Available at balance date		
Total facilities – bank loans	270,000	235,317

Used at balance date

Facilities used at balance date – bank loans	207,075	172,365
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Unused at balance date

Facilities unused at balance date – bank loans	62,925	62,952
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(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 \$270,000,000 (2013: \$235,000,000). These facilities are split between a debt facility of \$270,000,000 (2013: \$235,000,000) and guarantee facility of \$18,000,000 (2013: \$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
35,000,000	July 2017
70,000,000	August 2017
25,000,000	September 2018
40,000,000	August 2019
Total	270,000,000

Subsequent to the end of the year, the Company extended \$100 million of debt facilities maturing in 2015 to January 2018. The original maturity dates of the \$100 million were January 2015 (\$75 million) and July 2015 (\$25 million).

Bank facilities totalling \$270,000,000 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 2014, the Company had access to an overdraft for the amount of AUD\$3,160,000 provided by Westpac New Zealand Limited. At 31 December 2014, the overdraft was undrawn. The overdraft is secured by a guarantee and indemnity provided by Ogilvy New Zealand Limited.

(iii) 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 \$14,400,337 (2013: \$17,088,408) supporting property rental and other obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 24. 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	
	2014 \$'000	2013 \$'000
Current assets		
Cash and cash equivalents	32	8,781
Trade and other receivables	81,680	117,361
Other current assets	53,184	15,454
Total current assets	134,896	141,596
Non-current assets		
Other receivables	1,290	20,614
Investments accounted for using the equity method	89,557	90,198
Other financial assets	319,664	343,070
Plant and equipment	25,738	18,092
Deferred tax assets	6,809	7,219
Intangible assets	241,456	169,204
Total non-current assets	684,514	648,397
Total assets	819,410	789,993

(D) RISK EXPOSURE

Information about the Group's exposure to foreign currency and interest rate changes is provided in Note 30.

NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Accrued income	—	103
Prepayments	1,319	89
Plant and equipment	125	—
Executive share plan	—	2,450
Intangible asset - customer relationships	2,550	—
Gross deferred tax liabilities	3,994	2,642
Movements		
Opening balance	2,642	6,756
Credited to the consolidated statement of profit or loss	(1,198)	(4,114)
Acquisition of subsidiaries (refer to Note 33)	2,550	—
Closing balance	3,994	2,642

	Accrued income \$'000	Pre- payments \$'000	Plant and equipment \$'000	Executive share plan \$'000	Customer relationships \$'000	Total \$'000
Movements – consolidated						
At 1 January 2013	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
(Credited)/charged to the consolidated statement of profit or loss	(103)	1,230	125	(2,450)	—	(1,198)
Acquisition of subsidiaries (refer to Note 33)	—	—	—	—	2,550	2,550
At 31 December 2014	—	1,319	125	—	2,550	3,994

NOTE 26. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Employee benefits	3,111	3,059

NOTE 27. ISSUED CAPITAL

	2014	2013	2014	2013
	Number of shares	Number of shares	\$'000	\$'000
Total issued capital *	407,449,931	400,943,304	322,471	315,240

* The total issued capital is net of treasury shares held by the executive share plan of 2,249,069 (2013: 2,885,208). The total shares on issue is 409,699,000 (2013: 403,828,512).

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL

	2014	2014	2013	2013
	Number of shares	\$'000	Number of shares	\$'000
At 1 January	400,943,304	315,240	397,643,679	313,829
Shares under executive share plan	413,438	209	3,299,625	1,411
Issue of shares as remuneration	222,701	194	—	—
Issue of new shares under dividend reinvestment plan	5,870,488	6,828	—	—
At 31 December	407,449,931	322,471	400,943,304	315,240

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 27. 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 2014.

(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 2014 and 31 December 2013 were as follows:

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Total borrowings	212,684	172,365
Add: deferred cash settlement for controlled entities and associates acquired	31,664	35,504
Less: cash and cash equivalents	(19,926)	(43,271)
Net debt	224,422	164,598
EBITDA *	93,668	95,525
Equity	525,721	495,898
Net debt to EBITDA ratio	2.40	1.72
Net debt to net debt plus equity ratio	29.92%	24.92%

* A reconciliation between EBITDA and statutory profit is disclosed in Note 3.

NOTE 28. RESERVES

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Equity settled share-based payment reserve	304	178
Transactions with non-controlling interests reserve	6,053	5,149
Brand name revaluation reserve	16,275	16,275
Interest rate hedge reserve	(920)	(274)
Foreign currency translation reserve	9,649	5,900
Closing balance	31,361	27,228
Movements		
Equity settled share-based payment reserve		
Opening balance	178	2,153
Cost of share-based payments	529	(564)
Issue of shares as remuneration	(403)	(1,411)
Closing balance	304	178
Transactions with non-controlling interests reserve		
Opening balance	5,149	5,149
Disposal of non-controlling interest of subsidiary without losing control	904	—
Closing balance	6,053	5,149
Interest rate hedge reserve		
Opening balance	(274)	(1,076)
(Loss)/gain on cash flow hedges taken to equity	(923)	1,146
Deferred tax	277	(344)
Closing balance	(920)	(274)
Foreign currency translation reserve		
Opening balance	5,900	(4,288)
Exchange gain arising on translation of foreign operations	3,749	10,711
Movement in reserve on disposal of foreign operations	—	(523)
Closing balance	9,649	5,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 28. 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)(iv) 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(z). 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 29. RETAINED EARNINGS

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Opening balance	106,770	90,649
Net profit	44,575	49,456
Dividends provided for or paid	(34,547)	(33,335)
Closing balance	116,798	106,770

NOTE 30. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. There has been no significant change in the Group's risk profile from that of the prior year. The Group manages these risks using various financial instruments, governed by a set of policies approved by the Board. 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.

(A) MARKET RISK

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. The Group has exposure to market risk in the following areas: foreign exchange risk (due to fluctuations in foreign exchange rates) and interest rate risk (due to fluctuations in interest rates).

(i) Foreign exchange risk

Foreign exchange risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign exchange risk arises primarily from:

- sales and purchases denominated in foreign currency;
- borrowings denominated in foreign currency; and
- firm commitments and/or highly probable forecast transactions for receipts and payments settled in foreign currencies and prices dependent on foreign currencies, respectively.

The Group is exposed to foreign exchange risk from various currency exposures primarily with respect to:

- New Zealand Dollar;
- United States Dollar;
- Great British Pound;
- Euro;
- Chinese Yuan;
- Hong Kong Dollar;
- South African Rand; and
- Indian Rupee.

All borrowings are in the functional currency of the borrowing entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 30. FINANCIAL RISK MANAGEMENT (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 2014	NZD	USD	GBP	EUR	CNY	HKD	ZAR	INR
Trade receivables	41	1,412	2	282	—	—	329	1,448
Trade payables	—	—	(8)	—	(8)	—	—	—
	41	1,412	(6)	282	(8)	—	329	1,448

31 December 2013	NZD	USD	GBP	EUR	CNY	HKD	ZAR	INR
Trade receivables	—	874	—	195	—	—	460	596
Trade payables	(3)	(200)	(7)	(2)	—	(165)	—	—
	(3)	674	(7)	193	—	(165)	460	596

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 2014 \$'000 AUD	Impact to post-tax profit 2013 \$'000 AUD
New Zealand Dollar (NZD)	+ 10%/- 10%	3	—
US Dollar (USD)	+ 10%/- 10%	121	53
Great British Pound (GBP)	+ 10%/- 10%	(1)	(1)
Euro (EUR)	+ 10%/- 10%	29	21
Hong Kong Dollar (HKD)	+ 10%/- 10%	—	(2)
South African Rand (ZAR)	+ 10%/- 10%	2	3
Indian Rupee (INR)	+ 10%/- 10%	4	1
Total		158	75

(iii) 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 2014, the interest rate hedges were marked to market and gave rise to a mark to market liability at that date of \$1,314,000 (2013: \$391,000) (refer to Note 20(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 and interest rate swaps outstanding:

Consolidated Entity	2014 Weighted average interest rate % p.a.	2014 Balance \$'000	2013 Weighted average interest rate % p.a.	2013 Balance \$'000
Secured bank loans	2.94%	207,075	2.55%	172,365
Interest rate swaps (notional principal amount)	2.91%	(150,000)	3.92%	(140,000)
Net exposure to cash flow interest rate risk		57,075		32,365

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.

On 11 August 2014, the Company entered into an interest rate swap of \$30 million at a fixed rate of 2.85% per annum that matures on 11 August 2017.

On 22 December 2014, the Company entered into an interest rate swap of \$30 million at a fixed rate of 2.59% per annum that matures on 20 December 2017.

Sensitivity

At 31 December 2014, 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 \$400,000 lower/higher (2013: change of 100 basis points: \$227,000 lower/higher) mainly as a result of higher/lower interest expense on borrowings. Equity would have been \$400,000 lower/higher (2013: \$227,000 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 increased during the current year due to the increase in the unhedged portion of the bank loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 30. FINANCIAL RISK MANAGEMENT (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. Credit risk arises from cash and cash equivalents, derivative financial instruments and receivables due from customers.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Customers that do not meet minimum credit criteria are required to pay upfront. Customers who fail to meet their account terms are reviewed for continuing creditworthiness.

Trade receivables consist of a large number of clients, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and other receivables balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant. A relatively small number of clients contribute to a significant percentage of the Group's consolidated revenue. For certain customers, the Group purchases credit insurance to protect itself against collection risks.

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					Total contractual cash flows \$'000	Carrying amount \$'000
Contractual maturities of financial liabilities As at 31 December 2014	≤6 months \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000		
Non-derivatives							
Trade and other payables (excluding deferred cash settlement and derivatives below)	144,699	—	13,180	—	—	157,879	157,879
Deferred cash settlement	17,695	—	7,587	8,652	—	33,934	31,664
Finance lease liabilities	582	582	2,304	3,114	—	6,582	5,609
Secured bank loans	79,041	26,385	—	117,210	—	222,636	207,075
Total non-derivatives	242,017	26,967	23,071	128,976	—	421,031	402,227
Derivatives							
Net settled (interest rate swaps)	1,314	—	—	—	—	1,314	1,314

	Maturity					Total contractual cash flows	Carrying amount
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		
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	126,526	51,823	—	178,564	172,365
Total non-derivatives	171,598	679	156,376	67,274	—	395,927	386,443
Derivatives							
Net settled (interest rate swaps)	391	—	—	—	—	391	391

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 30. FINANCIAL RISK MANAGEMENT (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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial assets				
Cash and cash equivalents	19,926	43,271	19,926	43,271
Trade and other receivables	184,385	185,969	184,385	185,969
Other financial assets	706	583	706	583
	205,017	229,823	205,017	229,823
Financial liabilities				
Trade and other payables (excluding deferred cash settlement and derivatives)	157,879	178,574	157,879	178,574
Deferred cash settlement	31,664	35,504	31,664	35,504
Finance lease liabilities	5,609	—	5,609	—
Secured bank loans	207,075	172,365	207,075	172,365
Derivative financial instruments	1,314	391	1,314	391
	403,541	386,834	403,541	386,834

(i) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities measured and recognised at fair value at 31 December 2014 were based on the following fair value measurement hierarchy:

(a) Level 1 – shares in listed entities

Shares in listed entities are held at fair value with reference to the market price on the New Zealand stock exchange as at 31 December 2014;

(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 2014 and 31 December 2013:

As at 31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated Entity				
Assets				
Shares in listed entities	588	—	—	588
Shares in other entities	—	—	118	118
Total assets	588	—	118	706
Liabilities				
Derivatives used for hedging	—	(1,314)	—	(1,314)
Deferred cash settlement	—	—	(31,664)	(31,664)
Total liabilities	—	(1,314)	(31,664)	(32,978)
<hr/>				
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)

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 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) FAIR VALUE MEASUREMENTS (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 2014 and 31 December 2013:

	Unlisted equity securities \$'000	Deferred cash settlement \$'000	Total \$'000
Opening balance 1 January 2014	126	(35,504)	(35,378)
Deferred cash settlement payments made	—	6,822	6,822
Acquisition of subsidiaries and associates	—	(4,495)	(4,495)
Gain on fair value adjustment on non-current liability recognised in other income	—	4,666	4,666
Fair value adjustment on non-current liability recognised in the consolidated statement of financial position	—	(4,833)	(4,833)
Interest expense – deferred consideration payable	—	(1,472)	(1,472)
Other	(8)	3,152	3,144
Closing balance 31 December 2014	118	(31,664)	(31,546)
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)

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 2014 \$000	Unobservable inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Deferred cash settlement	\$31,664	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 \$289,454 (2013: \$526,374). A decrease in the discount rate by 100 bps would increase the fair value by \$297,211 (2013: \$544,454).
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by \$1,215,001 (2013: \$3,589,280). If expected cash flows were 5% lower, the fair value would decrease by \$2,982,234 (2013: \$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 21, 24 and 30. The existing borrowing facilities are subject to various debt covenants.

NOTE 31. 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 2014, 2,249,069 (2013: 2,885,208) 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 on page 84 represents the total number of 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 three year period, based on average compounded annual growth in EPS and the Company'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 individual 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 2014 was \$1.08 (2013: \$0.79) per share.

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 2014 included:

- performance rights are granted for no consideration;
- exercise price: \$0;
- grant date: January 2014 (2013: January 2013);
- expiry date: March 2017 (2013: March 2016);
- share price at grant date: 2014: \$1.46 (2013: \$1.15);
- expected price volatility of the Company shares: 2014: 33% (2013: 33%);
- expected dividend yield per annum: 2014: 6.4% (2013: 9%); and
- risk-free interest rate per annum: 2014: 2.9% (2013: 2.8%).

The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 31. SHARE-BASED PAYMENTS (CONTINUED)

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 – 2014										
January 2011	1 Mar 14	Base Plan	2011-2013	\$0.86	413,438	—	—	(413,438)	—	—
January 2011	1 Mar 14	Overperformance Plan	2011-2013	\$0.91	—	—	—	—	—	—
January 2012	1 Mar 15	Base Plan	2012-2014	\$0.62	1,120,000	—	(1,120,000)	—	—	—
January 2012	1 Mar 15	Overperformance Plan	2012-2014	\$0.67	210,000	—	(210,000)	—	—	—
January 2013	1 Mar 16	Base Plan	2013-2015	\$0.79	1,496,074	—	—	—	1,496,074	—
January 2013	1 Mar 16	Overperformance Plan	2013-2015	\$0.86	280,514	—	—	—	280,514	—
January 2014	1 Mar 17	Base Plan	2014-2016	\$1.08	—	1,070,428	—	—	1,070,428	—
January 2014	1 Mar 17	Overperformance Plan	2014-2016	\$1.19	—	200,705	—	—	200,705	—
Total					3,520,026	1,271,133	(1,330,000)	(413,438)	3,047,721	—

Grants of performance shares to the CEO are subject to shareholder approval.

Total expense from share-based payment transactions recognised during the year as part of employee benefit expense/(credit) was \$529,000 (2013: (\$564,000)).

NOTE 32. RELATED PARTY DISCLOSURES

(A) ULTIMATE PARENT ENTITY

The ultimate parent entity within the Group is STW Communications Group Limited.

(B) 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 2014 and 31 December 2013 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.

(C) JOINT VENTURES, ASSOCIATES AND OTHER RELATED PARTIES

All material ownership interests in joint ventures and associates are disclosed in Note 14.

The Consolidated Entity, joint ventures 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 2014 was \$136,000 (2013: \$23,000). Amounts owing by and to joint ventures and associates are set out in Notes 13 and 23, respectively.

NOTE 33. BUSINESS COMBINATIONS**(A) SUMMARY OF MATERIAL ACQUISITIONS****DURING THE YEAR ENDED 31 DECEMBER 2014**

On 1 January 2014, Senior Minds Pty Limited acquired an additional 51% of Cru Holdings Pty Limited ("Cru") increasing its ownership interest from 49% to 100%. Cru is a full service digital marketing agency which operates out of Brisbane. STW Media Services Pty Limited ("SMS") holds a 65% share in Senior Minds Pty Limited.

On 1 July 2014, SMS acquired 100% of Active Sites Alive Pty Limited and its controlled entities ("ADG"). ADG is a retail marketing solutions agency which operates out of Sydney, Melbourne, Brisbane and Hong Kong. A valuation of the customer relationships acquired as part of the transaction resulted in a customer relationship valuation of \$8.5 million being recognised as part of the net assets acquired. The calculation of the customer relationships' value is based on fair value at acquisition date. This amount has been assessed as a finite life intangible asset with a useful life of ten years.

On 1 July 2014, SMS acquired an additional 51% of Evocatif Pty Limited ("Evocatif"), thereby increasing SMS's ownership to 100%. Evocatif is full service advertising agency which operates out of Sydney.

On 1 October 2014, Singleton, Ogilvy & Mather (Holdings) Pty Limited ("SOM Holdings") acquired an additional 60% of Bullseye Group Pty Limited and its controlled entities ("Bullseye"), thereby increasing SOM Holdings' ownership to 100%. STW Communications Group Limited holds a 66.67% share in SOM Holdings. Bullseye is a full service digital advertising marketing agency which operates out of Sydney, New Zealand and Indonesia.

The initial accounting for the acquisitions during the year have only been provisionally determined at the end of the reporting period.

DURING THE YEAR ENDED 31 DECEMBER 2013

On 1 January 2013, STW Group Asia Holdings Pte Limited 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.

		Consolidated Entity	
	Notes	2014 \$'000	2013 \$'000
Purchase consideration			
Deferred/contingent consideration		4,495	9,044
Fair value – equity accounted interest		3,683	—
Cash paid in the current period	33(c)	30,286	4,979
Total purchase consideration		38,464	14,023
Fair value of net identifiable assets acquired	33(b)	7,442	2,176
Goodwill acquired		31,022	11,847

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 33. BUSINESS COMBINATIONS (CONTINUED)

(A) SUMMARY OF MATERIAL ACQUISITIONS (CONTINUED)

The acquired businesses contributed revenues of \$50,317,833 and net profit of \$1,992,064 to the Group for the period between 1 January 2014 to 31 December 2014. If the acquisitions had occurred on 1 January 2014, consolidated revenue and profit for the year ended 31 December 2014 would have been higher by \$54,149,048 and \$2,136,036 respectively.

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. The methods used in determining the fair value of assets and liabilities acquired are summarised in Notes 1(i) and 1(o).

(B) ASSETS AND LIABILITIES ACQUIRED

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

	Consolidated Entity	
	2014	2013
	\$'000	\$'000
Fair value of net assets acquired		
Current assets		
Cash and cash equivalents	1,446	(1,058)
Trade and other receivables	11,686	5,963
Prepayments	972	—
Current tax receivables	40	16
Inventories	3,322	—
Other current assets	389	—
Non-current assets		
Plant and equipment	6,932	1,133
Deferred tax assets	1,827	841
Investments in joint ventures	3,357	—
Intangible assets - customer relationships	8,500	—
Intangible assets - intellectual property	512	—
Other non-current assets	29	250
Current liabilities		
Trade and other payables	(6,534)	(1,277)
Current tax liabilities	(1,090)	—
Provisions	(3,154)	(1,621)
Other current liabilities	(4,004)	(1,411)
Non-current liabilities		
Borrowings	(12,640)	—
Other non-current liabilities	(1,228)	(155)
Deferred tax liabilities	(2,550)	—
Net assets	7,812	2,681
Non-controlling interests in net assets acquired	(370)	(505)
Net identifiable assets acquired	7,442	2,176

(C) PURCHASE CONSIDERATION

		Consolidated Entity	
		2014	2013
	Notes	\$'000	\$'000
Outflow of cash to acquire controlled entities, net of cash acquired			
Cash consideration paid	33(a)	30,286	4,979
Cash balances acquired	33(b)	(1,446)	1,058
Outflow of cash		28,840	6,037

NOTE 34. DISPOSALS

There were no disposals during the year ended 31 December 2014.

	Consolidated Entity	
	2014 \$'000	2013 \$'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		
Investments accounted for using the equity method	—	15
Plant and equipment	—	904
Deferred tax assets	—	23
Goodwill	—	8,445
Other intangible assets	—	417
Prepayments	—	86
Current liabilities		
Trade payables	—	(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 2013, the Company disposed of its interest in Haines NZ Limited. The effective date of the transaction was 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 34. DISPOSALS (CONTINUED)

(e) Transactions with non-controlling interests

During the year ended 31 December 2014, STW Group (NZ) Limited disposed of an 8.6% equity interest in Designworks (NZ) Limited.

There were no transactions with non-controlling interests in 2013.

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Carrying amount of non-controlling interest disposed	(276)	—
Consideration received from non-controlling interest	1,180	—
Excess of consideration received recognised in the transactions with non-controlling interests reserve within equity	904	—

NOTE 35. EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2014, the Group had no commitments for expenditure (2013: \$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 2014 are as follows:

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Within one year	23,296	21,739
Later than one year and not later than five years	48,959	57,909
Later than five years	14,141	18,067
	86,396	97,715
Share of joint ventures and associates' operating lease commitments	3,455	3,645

(C) OBLIGATIONS UNDER FINANCE LEASE

The Group leased certain of its assets under finance lease. The lease term is 5 years. The interest rate underlying the obligations under the finance lease is 6.42% per annum. The Group has options to purchase the assets for a nominal amount at the end of the lease term. The Group's obligations under finance lease are secured by the lessor's title to the leased assets.

	Minimum lease payments		Present value of minimum lease payments	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	1,164	—	839	—
Later than one year and not later than five years	5,418	—	4,770	—
Later than five years	—	—	—	—
	6,582	—	5,609	—
Less future finance charges	(973)	—	—	—
Present value of minimum lease payments	5,609	—	5,609	—

	Consolidated Entity	
	2014 \$'000	2013 \$'000
Included in the consolidated financial statements as:		
- Current liabilities - Borrowings	820	—
- Non-current liabilities - Borrowings	4,789	—
	5,609	—

NOTE 36. CONTINGENT LIABILITIES

The Consolidated Entity had contingent liabilities in respect of:

	Notes	Consolidated Entity	
		2014 \$'000	2013 \$'000
Bank guarantees	36(b)	14,400	17,088
		14,400	17,088

(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 \$14,400,337 (2013: \$17,088,408) on behalf of various controlled entities, joint ventures 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 \$270,000,000 (2013: \$235,000,000) 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 24.

Cross guarantees given by STW Communications Group Limited are described in Note 38.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 37. SUBSIDIARIES

(A) LIST OF 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		Country of incorporation/ formation
		2014	2013	
– 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 (i)	Ordinary	75%	75%	Australia
– Bento Productions Pty Limited (formerly Plush Films Pty Limited)	Ordinary	53%	53%	Australia
– Bullseye Group Pty Limited and its controlled entities	Ordinary	100%	40%	Australia
– Bullseye (Asia Pacific) Pty Limited	Ordinary	100%	40%	Australia
– Bullseye Digital (New Zealand) Limited	Ordinary	100%	40%	New Zealand
– PT Bullseye	Ordinary	100%	40%	Indonesia
– Hawker Britton Group Pty Limited	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

	Type of share/unit	Ownership interest		Country of incorporation/ formation
		2014	2013	
– 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
– Active Sites Alive Pty Limited and its controlled entities *	Ordinary	100%	—	Australia
– Boxlink Pty Limited	Ordinary	80%	—	Australia
– Active Display Group (Asia) Limited	Ordinary	100%	—	Hong Kong
– 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%	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 and its controlled entity	Ordinary	66.67%	66.67%	Australia
– DTMillipede Pty Limited	Ordinary	100%	—	Australia
– Evocatif Pty Limited	Ordinary	100%	49%	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%	100%	Australia
– iCRE8 Pty Limited	Ordinary	51%	51%	Australia
– Ikon Communications (Melbourne) Pty Limited	Ordinary	100%	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 37. SUBSIDIARIES (CONTINUED)

(A) LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest		Country of incorporation/formation
		2014	2013	
– 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	90%	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 entity	Ordinary	100%	100%	Australia
– Tribe Media Solutions Pty Limited	Ordinary	100%	100%	Australia
– Senior Minds Pty Limited and its controlled entity	Ordinary	65%	80%	Australia
– Cru Holdings Pty Limited	Ordinary	100%	39.2%	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%	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

	Type of share/unit	Ownership interest		Country of incorporation/ formation
		2014	2013	
– 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	Ordinary	91.4%	100%	New Zealand
– Ikon New Zealand Limited	Ordinary	100%	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	84%	80%	Australia

(i) With put and call option agreements in place for these entities, the Group's policy is to consolidate the controlled entity's target earnings and statement of financial position based on the ultimate future ownership (refer to Note 1(c)(i)).

* These subsidiaries have been granted relief from the necessity to prepare a financial report in accordance with 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 37. SUBSIDIARIES (CONTINUED)

(B) 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: 2014: 33.3% (2013: 33.3%)

	2014 \$'000	2013 \$'000
Current assets	64,434	64,546
Non-current assets	120,495	108,841
Total assets	184,929	173,387
Current liabilities	40,677	48,951
Non-current liabilities	20,433	20,126
Total liabilities	61,110	69,077
Net assets	123,819	104,310
Equity attributable to owners of the Company	120,830	101,509
Non-controlling interests	2,989	2,801
Revenue	102,435	95,742
Net profit	18,412	18,873
Net profit attributable to owners of the Company	17,522	18,230
Net profit attributable to non-controlling interests	890	643
Other comprehensive income attributable to owners of the Company	1,798	3,381
Other comprehensive income attributable to non-controlling interests	2	293
Total other comprehensive income	1,800	3,674
Total comprehensive income attributable to owners of the Company	19,320	21,611
Total comprehensive income attributable to non-controlling interests	892	936
Total comprehensive income	20,212	22,547
Dividends paid to non-controlling interests	703	120
Net cash flows from operating activities	16,822	26,294
Net cash flows used in investing activities	(5,244)	(2,511)
Net cash flows used in financing activities	(8,968)	(25,338)
Net increase/(decrease) in cash held	2,610	(1,555)

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 or 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 2014 of the closed group consisting of STW Communications Group Limited and its controlled entities:

	2014 \$'000	2013 \$'000
Consolidated statement of profit or loss		
Profit before income tax	31,051	40,330
Income tax expense	(364)	(2,435)
Net profit	30,687	37,895
Consolidated statement of profit or loss and other comprehensive income		
Net profit	30,687	37,895
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Fair value (loss)/gain on cash flow hedges taken to equity	(923)	1,146
Income tax relating to components of other comprehensive income	277	(344)
Other comprehensive income (net of tax)	(646)	802
Total comprehensive income	30,041	38,697

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

NOTE 38. DEED OF CROSS GUARANTEE (CONTINUED)

(a) Consolidated statement of profit or loss, consolidated statement of profit of loss and other comprehensive income and consolidated statement of financial position (continued)

	2014 \$'000	2013 \$'000
Consolidated statement of financial position		
Current assets		
Cash and cash equivalents	47	102
Trade and other receivables	79,331	84,738
Current tax receivables	6,797	1,678
Inventories	3,879	—
Other current assets	7,841	11,684
Total current assets	97,895	98,202
Non-current assets		
Other receivables	43,245	44,390
Investments accounted for using the equity method	119,170	113,709
Other financial assets	312,831	293,923
Plant and equipment	24,086	9,448
Deferred tax assets	—	4,588
Intangible assets	168,789	148,179
Other non-current assets	7,254	9,575
Total non-current assets	675,375	623,812
Total assets	773,270	722,014
Current liabilities		
Trade and other payables	94,054	96,977
Borrowings	29,047	12,743
Provisions	4,293	1,651
Total current liabilities	127,394	111,371
Non-current liabilities		
Other payables	37,201	35,825
Borrowings	207,167	172,150
Deferred tax liabilities	2,788	51
Provisions	732	991
Total non-current liabilities	247,888	209,017
Total liabilities	375,282	320,388
Net assets	397,988	401,626
Equity		
Issued capital	322,471	315,240
Reserves	3,847	4,273
Retained earnings	71,670	82,113
Total equity	397,988	401,626

NOTE 39. AUDITORS' REMUNERATION

	Consolidated Entity	
	2014	2013
	\$	\$
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	808,374	708,234
– other non-audit services	80,000	—
– tax compliance services in relation to the entity and any other entity in the Consolidated Entity	172,488	176,130
	1,060,862	884,364
Amounts received or due and receivable by BDO New Zealand Ltd for:		
– an audit of the financial report of entities within the Consolidated Entity	95,789	107,000
– other non-audit services	7,412	—
– tax compliance services in relation to entities within the Consolidated Entity	53,589	56,467
	156,790	163,467

NOTE 40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the year, the following events occurred:

- the Directors declared the payment of a fully franked final dividend of \$14.3 million (3.5 cents per fully paid ordinary share), with a record date of 7 April 2015 and payable on 28 April 2015 (2014 final dividend: 5.3 cents per share). A DRP will apply to the final dividend. The DRP pricing period for this dividend will be from 9 April 2015 to 17 April 2015 (inclusive). A 2.5% discount is applicable to shares issued under the DRP;
- the Company extended \$100 million of debt facilities maturing in 2015 to January 2018. The original maturity dates of the \$100 million were January 2015 (\$75 million) and July 2015 (\$25 million);
- STW Media Services Pty Limited has entered into an agreement to dispose of its 40% equity interest in Amblique Pty Limited for total consideration of \$2.4 million. The gain on disposal will not be material to the Consolidated Entity; and
- Chris Savage resigned as Chief Operating Officer of the Company with effect from 17 February 2015.

Apart from the items 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 14 (CONTINUED)

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	
	2014 \$'000	2013 \$'000
Statement of financial position		
Current assets	8,860	22,260
Non-current assets	576,909	530,794
Total assets	585,769	553,054
Current liabilities	8,280	9,020
Non-current liabilities	251,942	228,708
Total liabilities	260,222	237,728
Net assets	325,547	315,326
Equity		
Issued capital	322,471	315,240
Reserves	(615)	(93)
Retained earnings	3,691	179
Total equity	325,547	315,326
Net profit	38,249	32,819
Total comprehensive income	37,603	33,621

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity had contingent liabilities in respect of:

	Parent Entity	
	2014 \$'000	2013 \$'000
Bank guarantees	14,400	17,088

The Company has provided various bank guarantees for rental premises totalling \$14,400,337 (2013: \$17,088,408) 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 \$270,000,000 (2013: \$235,000,000) 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 24.

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

Sydney, 20 February 2015



Michael Connaghan
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of 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 2014, 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 32 to 99.

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:

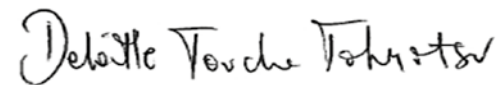
- (a) the financial report of STW Communications Group Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated 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 9 to 25 of the directors' report for the year ended 31 December 2014. 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 2014, complies with section 300A of the Corporations Act 2001.



DELOITTE TOUCHE TOHMATSU



S C Gustafson
Partner
Chartered Accountants
Sydney, 20 February 2015

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 FINANCIAL OFFICER

Lukas Aviani

COMPANY SECRETARY

Chris Rollinson

AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Herbert Smith Freehills

REGISTERED OFFICE

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Telephone: (02) 8234 5000

WEBSITE ADDRESS

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ANNUAL GENERAL MEETING

The Annual General Meeting will be held
at 9:00am on 13 May 2015 at:
Ogilvy House, 72 Christie Street
St Leonards NSW 2065

ABN

84 001 657 370

Level 6, Ogilvy House
72 Christie Street
St Leonards NSW 2065
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 **stw group**