OPUS GROUP LIMITED
Appendix 4D
A.C.N. 006 162 876
Interim Financial Report
Half-Year ended 31 December 2013

(Previous corresponding period: half-year ended 31 December 2012)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 December 2013 $A'000s	Restated 31 December 2012 $A'000s	Change
Revenue from continuing operations	62,180	59,284	5%
(Loss)/profit from ordinary activities after tax attributable to members	(35,256)	(3,836)	(819%)
(Loss)/profit for the period attributable to members	(35,256)	(3,836)	(819%)

DIVIDEND INFORMATION

	Amount per share (cents)	Franked amount per share (cents)
Dividend per share	Nil	Nil
Record date for dividend entitlements	Not applicable	
Dividend reinvestment plan	Not applicable	

NET TANGIBLE ASSETS

	31 December 2013	Restated 31 December 2012
Net tangible assets per security (cents)	(14.81)	(27.39)

Net tangible assets is calculated as net assets less total intangible assets. Net tangible assets per share is based on OPUS Group Limited's issued capital as the legal parent entity and issuer of this financial information for both periods.

EXPLANATION OF FINANCIAL PERFORMANCE

Refer to the market release accompanying this Appendix 4D and the Directors' Report contained within this document for an explanation of the Group's Financial Performance.

AUDIT QUALIFICATION OR REVIEW

This Appendix 4D has been reviewed by PricewaterhouseCoopers and their review report attached includes an Emphasis of Matter paragraph with respect to the matters disclosed in Note 1 on page 12 of this report.

OPUS Group Limited and Controlled Entities
Directors' Report

The Board of Directors issue the following report on the condensed interim financial report of OPUS Group Limited and its controlled entities (referred to hereafter as "the OPUS Group", "the Group" or "the Company") at the end of, and for the half-year ended 31 December 2013.

(a) Directors

The names of the Directors of the OPUS Group who were in office from the beginning of the financial half-year to the date of this report are as follows:

Chairman (Non-executive)
William J. Mackarell

Executive Director
Richard F. Celarc

Non-executive Directors
Bret P. Jackson
James M. Sclater
Matthew J. McGrath (resigned 31 July 2013)
Simon A. Rowell

(b) Consolidated Results

Reported Financial Performance

	Half-year ended		
		Restated	
	31 December 2013 AUD$'000s As reported	31 December 2012 AUD$'000s As reported	% Change Favourable /(unfavourable)
Revenue	62,180	59,284	5%
Loss before tax	(31,010)	(3,370)	(820%)
Loss after tax	(35,256)	(3,836)	(819%)
Loss per share (cents)	(42.09)c	(7.15)c	(489%)
Adjusted EBITDA	7,006	7,532	(7%)

OPUS (ASX:OPG) is an Asia Pacific business services group, servicing two operational platforms being Publishing Services and Outdoor Media.

Revenue of $62,180,000 was 5% up on the corresponding period of $59,284,000.

The OPUS Group's loss after tax for the period was $35,256,000 (2012: loss after tax of $3,836,000). During the period a non-cash goodwill impairment charge of $30,148,000 was recognised in respect of the Australian publishing assets and a non-cash expense of deferred tax assets of $4,440,000 impacted the loss after tax. The 2012 result was impacted by a number of one off items related to restructuring and the integration of the Publishing Services Division, specifically the Australian operations.

The Publishing Services Divisions Asia Pacific Strategy continues to deliver benefits to both customers and the Group. A significant volume of work is being shared across the network which provides a varied cost to speed proposition for customers. Volumes processed through the Publishing Services Division's Singaporean facility have increased period on period.

During the last 12 months there has been an increased trend with global publishers engaging local publishers to print and distribute their content. This has resulted in a shift in production back to the OPUS Australian operations and has resulted in higher revenue compared to the previous period. However against this volume uplift, there has been a continuation of increased margin pressure within the traditional long run publishing services business. This supports the direction and strategy that the Group has embarked upon in the print on demand segment and supplemental content delivery and fulfilment platforms.

OPUS Group Limited and Controlled Entities
Directors' Report

This interim financial report has been reviewed by PricewaterhouseCoopers and their review report attached includes an Emphasis of Matter paragraph with respect to the matters disclosed in Note 1 on page 12 of this report.

Following the Group's Strategic review in the first half of FY14, there will be no action regarding the Outdoor Media Division divestment at this current time. The sale process that was explored early in the period had a negative impact on its trading performance, which has since been arrested. The Outdoor Media Division has been reclassified back to being part of Continuing Operations in the Statement of Financial Performance.

During the first half of FY14 the Group restructured its debt facility with the Commonwealth Bank of Australia through to September 2016 to provide future flexibility to support the repositioning of the business. The Group has taken measures to explore the potential of raising capital to address both its short and long term capital needs and growth plans.

	Half-year ended		
	31 December 2013 AUD$'000s	**31 December 2012 AUD$'000s**	**% Change Favourable /(unfavourable)**
Revenue	62,180	59,284	5%
Adjusted EBITDA	7,006	7,532	(7%)

Reconciliation of Pro-Forma Financial Performance and Reported Financial Performance

Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA')

The Board and Senior Management assess the performance of the operating segments based on a measure of Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA'). Adjusted EBITDA is a non-IFRS measure of financial performance and is not a principle contemplated by Australian Accounting Standards.

Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA') excludes the effects of certain items such as restructuring costs, transaction costs, legal expenses and goodwill impairment where these items are not deemed to be part of the underlying performance of the business.

A reconciliation of Adjusted EBITDA to the (loss)/profit before taxation per the Statement of Comprehensive Income is as follows:

	Half-year ended	
	31 December 2013	**Restated 31 December 2012**
	AUD$'000s	**AUD$'000s**
Adjusted EBITDA	7,006	7,532
Depreciation, amortisation and impairment of property, plant and equipment	(3,825)	(4,649)
Impairment of goodwill	(30,148)	-
Items excluded from Adjusted EBITDA (1)	(476)	(2,935)
Net finance costs	(3,588)	(3,254)
Unrealised foreign exchange	21	(64)
(Loss) before taxation per the Statement of Comprehensive Income	(31,010)	(3,370)

(1) Items excluded from Adjusted EBITDA are an adjustment to reflect the effects of certain items such as restructuring costs, material merger transaction costs, legal expenses and goodwill impairment where these items are not deemed to be part of the underlying performance of the business.

Items excluded from Adjusted EBITDA are summarised as follows:

	Half-year ended	
	31 December 2013 AUD$'000s	31 December 2012 AUD$'000s
Transaction and listing related costs (i)	-	359
Integration and restructuring costs (ii)	433	654
Cost base rationalisation costs (iii)	43	1,743
Other	-	179
Total items excluded from Adjusted EBITDA	476	2,935

(i) HY12 costs related to the merger transaction including advisory, legal, accounting and taxation professional fees and the costs of the ASX initial listing and costs related to establishing public company processes and procedures.
(ii) Integration and restructuring costs related to the activities being undertaken to realise the synergy benefits available to the OPUS Group and to restructure the Group's corporate and capital structures. These costs include consulting fees related to integration activities, redundancy costs and other associated costs incurred to realise future synergy benefits.
(iii) Cost base rationalisation of OPUS Group including headcount reductions. During HY12 period significant costs were incurred in relation to the cost base rationalisation of the OPUS Group Publishing Services Division including headcount reductions and site consolidation activities most notably the closure of the Mulgrave site.

Publishing Services Division

	Half-year ended		
	31 December 2013 AUD$'000s	31 December 2012 AUD$'000s	% Change Favourable /(unfavourable)
Revenue	51,194	48,686	5%
Adjusted EBITDA	7,097	7,512	(6%)

This Division operates with the brands of Ligare in Sydney and Auckland, CanPrint and Union Offset in Canberra, McPherson's Printing ('MPG') in Victoria and C.O.S. Printers in Singapore. The Publishing Services Division is integral to the publishing cycle of professional, educational, government and trade publishers. It provides digital and offset printing, and other value add business services including digital asset management, content management, back-catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing.

The Publishing Services Division generated revenue of $51,194,000 (2012: $48,686,000) and Adjusted EBITDA of $7,097,000 (2012: $7,512,000).

Outdoor Media Division

	Half-year ended		
	31 December 2013 AUD$'000s Always owned	31 December 2012 AUD$'000s Always owned	% Change Favourable /(unfavourable)
Revenue	10,986	10,598	4%
Adjusted EBITDA	1,780	1,971	(10%)

The Division operates a multi-brand strategy across Australasia through Cactus Imaging with operations in Australia & New Zealand and Omnigraphics New Zealand.

The Outdoor Media Division produces and distributes outdoor advertising material and corporate signage for the outdoor advertising industry and corporate signage market. This market encompasses a wide range of 'out-of-home' advertising formats to reach consumers where they live, work, play, drive, shop and commute.

Total Outdoor Media revenue of $10,986,000 was 4% ahead of the prior year revenue (2012: $10,598,000). Adjusted EBITDA of $1,780,000 was 10% below the prior year (2012: $1,971,000).

Asset and capital structure (as at the Balance Date)

	31 December 2013 $AUD'000s	Restated 30 June 2013 $AUD'000s
Interest bearing liabilities		
External interest bearing debt (including overdraft)	51,723	53,884
Finance leases	3,006	3,107
Convertible notes	-	3,137
Cash and cash equivalents	(2,199)	(3,163)
Net debt *	52,530	56,965
Total equity	2,101	32,046
Total capital employed	54,631	89,011
Gearing (net debt/ net debt + equity)	96%	64%

* Net debt excludes off balance sheet bank guarantees and letters of credit.

Net debt (interest bearing liabilities less cash) decreased by $4,435,000 to $52,530,000.

The Group had $2,199,000 (June 2013: $3,163,000) in cash at 31 December 2013.

The OPUS Group has hedged the interest payments on $45,800,000 of the Commonwealth Bank of Australia Limited ('CBA') debt owing at 31 December 2013 as required by the terms of the Debt Facility Agreement.

Subsequent events

As announced to the market on 18 February 2014, OPUS Group recently submitted a tender to a major publishing house for book printing in Australia. This follows the merger of two publishing groups in mid-2013, one of which had been a long-term customer of OPUS Group. OPUS was unsuccessful with its tender. Whilst disappointed, we believed our tender was very competitive, balancing our value proposition with the need for a sustainable and continued relationship with our pre-existing customer.

It is anticipated that the changes to arrangements with OPUS's current customer will take effect principally from FY15, although there will be an impact on the 2H FY14 result. Accordingly, the Board has resolved to reduce its full year forecast and earnings guidance that has subsequently impacted the carrying values for goodwill in Publishing Services Australia (refer to Note 11 for details).

As previously disclosed to the market, the Group is in the early stages of undertaking a capital raise process that seeks to increase the equity capital of the Group and reduce the current gearing. At the date of this report the process is ongoing with a number of interested parties in discussions with the Company. Further details will be provided to shareholders as this process progresses.

Non-audit services

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

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

This report is made in accordance with a resolution of directors.

William J. Mackarell

Chairman

Sydney

28 February 2014

Auditor's Independence Declaration

As lead auditor for the review of OPUS Group Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of OPUS Group Limited and the entities it controlled during the period.

P.J. Carney

Paddy Carney	Sydney
Partner	28 February 2014
PricewaterhouseCoopers	

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

OPUS Group Limited and Controlled Entities
Condensed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2013

	Note	Consolidated Half-year ended 31 December 2013 AUD$'000s	Restated 31 December 2012 AUD$'000s
Revenue from continuing operations	2	62,180	59,284
Other income		554	760
Gain on disposal of asset		7	-
Changes in inventories of finished goods, materials and work in progress		(18,444)	(17,114)
Other production costs and freight		(10,389)	(10,264)
Employee benefits expense		(20,619)	(19,880)
Occupancy costs		(2,739)	(2,076)
Depreciation and amortisation expense		(3,825)	(4,649)
Impairment of goodwill		(30,148)	-
Realised foreign exchange loss		(33)	(18)
Other expenses		(4,026)	(6,207)
Operating profit/(loss) before finance costs		(27,482)	(164)
Finance revenue		21	38
Finance expenses		(3,609)	(3,292)
Net finance costs		(3,588)	(3,254)
Share of net profit of associate		60	48
Loss before income tax		(31,010)	(3,370)
Income tax expense		(4,246)	(466)
Loss after income tax		(35,256)	(3,836)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Changes in fair value of cash flow hedges (net of tax)		130	(132)
Exchange differences on translation of foreign operations		1,705	179
Impairment of deferred tax asset relating to the fair value of cash flow hedges		(301)	-
Other comprehensive income for the half-year, net of tax		1,534	47
Total comprehensive income for the half-year		(33,722)	(3,789)
Basic loss per share – cents	7	(42.09)	(7.15)
Diluted loss per share – cents	7	(42.09)	(7.15)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

OPUS Group Limited and Controlled Entities
Condensed Consolidated Statement of Financial Position as at 31 December 2013

	Note	Consolidated 31 December 2013 AUD$'000s	Restated 30 June 2013 AUD$'000s
Current assets			
Cash		2,199	3,163
Trade and other receivables		17,173	12,641
Inventories		5,912	5,127
Other current assets	12	1,851	2,375
Assets classified as held for sale		-	70
Assets of disposal group	4	-	12,592
Total current assets		27,135	35,968
Non-current assets			
Investments accounted for using the equity method		842	782
Property, plant and equipment		27,965	28,132
Deferred tax assets	5	-	4,108
Intangibles	11	24,481	46,750
Other non-current assets		1,239	1,264
Total non-current assets		54,527	81,036
Total assets		81,662	117,004
Current liabilities			
Bank overdraft		1,500	1,500
Trade and other payables		14,852	12,108
Provision for income tax		1,008	1,298
Derivative financial instruments		770	717
Interest bearing liabilities	6	27,517	29,963
Provisions		5,864	5,283
Liabilities of disposal group		-	2,807
Total current liabilities		51,511	53,676
Non-current liabilities			
Derivative financial instruments		501	845
Interest bearing liabilities	6	25,712	28,665
Provisions		1,184	1,042
Deferred tax liabilities		653	730
Total non-current liabilities		28,050	31,282
Total liabilities		79,561	84,958
Net assets		2,101	32,046
Equity			
Share capital	7	43,130	39,353
Reserves		149	(1,385)
Accumulated losses		(41,178)	(5,922)
Total equity		2,101	32,046

The above Condensed Consolidated of Financial Position should be read in conjunction with the accompanying notes.

OPUS Group Limited and Controlled Entities
Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2013

Consolidated – restated	Note	Share Capital AUD$'000s	Reserves AUD$'000s	Accumulated losses AUD$'000s	Total AUD$'000s
Balance at 1 July 2012		39,353	(1,730)	(4,145)	33,478
Loss for the period		-	-	(3,836)	(3,836)
Other comprehensive income net of income tax					
Changes in fair value of cash flow hedges net of tax		-	(132)	-	(132)
Exchange differences on translation of foreign operations and internal borrowings		-	179	-	179
Total comprehensive income		-	47	(3,836)	(3,789)
Balance at 31 December 2012		39,353	(1,683)	(7,981)	29,689

Consolidated - restated	Note	Share Capital AUD$'000s	Reserves AUD$'000s	Accumulated losses AUD$'000s	Total AUD$'000s
Balance at 1 July 2013		39,353	(1,385)	(5,922)	32,046
Loss for the period		-	-	(35,256)	(35,256)
Other comprehensive income net of income tax					
Changes in fair value of cash flow hedges net of tax		-	130	-	130
Exchange differences on translation of foreign operations and internal borrowings		-	1,705	-	1,705
Impairment of deferred tax asset relating to the fair value of cash flow hedges		-	(301)	-	(301)
Total comprehensive income		-	1,534	(35,256)	(33,722)
Transaction with owners					
Convertible notes converted into equity (net of transaction costs)		3,777	-	-	3,777
Balance at 31 December 2013		43,130	149	(41,178)	2,101

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The prior year comparatives have been restated where necessary. Please see note 12 for further details.

OPUS Group Limited and Controlled Entities
Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2013

	Consolidated Half-year ended 31 December 2013 AUD$'000s	Consolidated Half-year ended 31 December 2012 AUD$'000s
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	66,780	64,586
Payments to suppliers and employees (inclusive of GST)	(60,700)	(60,845)
Interest received	21	62
Interest and borrowing costs paid	(2,913)	(3,311)
Net income tax paid	(651)	(434)
Net cash inflows from operating activities	2,537	58
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(950)	(1,561)
Proceeds from the disposal of property, plant and equipment	92	248
Executive loan repaid	-	10
Dividends received from associate	-	140
Net cash outflows from investing activities	(858)	(1,163)
Cash flows from financing activities		
Repayment of borrowings	(2,663)	(1,325)
Repayment of finance leases	(457)	(384)
Receipts from convertible notes	400	-
Net cash outflows from financing activities	(2,720)	(1,709)
Net decrease in cash held	(1,041)	(2,814)
Cash and cash equivalents at beginning of the period	1,663	4,443
Net effect of exchange rate changes on cash	77	8
Cash and cash equivalents held at end of the period	699	1,637
Comprising:		
Cash	2,199	3,137
Bank overdrafts	(1,500)	(1,500)
Cash and cash equivalents held at end of the period	699	1,637

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this Financial Report (referred to as the Financial Report or consolidated interim financial report) are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Financial Report is for the consolidated entity consisting of OPUS Group Limited and its subsidiaries ('the OPUS Group').

Basis of preparation and consolidation, accounting policies and critical accounting estimates and judgments

Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standards AASB 134 Interim Financial Reporting and the *Corporation Act 2001*.

This condensed consolidated interim financial report does not include all of the notes of the type normally included in an Annual Financial Report. Accordingly this report should be read in conjunction with the Annual Report issued by the OPUS Group for the year ended 30 June 2013 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Rounding of amounts

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

Going concern

As at 31 December 2013, the Group has debt facilities totalling $54,223,000 (utilised $52,883,000) with Commonwealth Bank of Australia (the 'CBA Debt Facilities' - see note 6), total equity of $2,101,000 and has reported a loss after tax of $35,256,000 for the period ended 31 December 2013.

At the date of this report the Group is required to reduce the debt held with CBA through scheduled repayments by $26,500,000 over the next 12 months, of which $22,500,000 is due by 30 June 2014. The scheduled repayment amount of $26,500,000 is classified as a current liability in the half-year report such that the Group has presented a net current liability position of $24,376,000. The specified debt reduction will be achieved through a combination of cash flows from trading, a proposed capital raising and other capital management initiatives which are available to the Directors.

As previously disclosed to the market, the Group is undertaking a capital raising process which seeks to increase the equity capital of the Group and reduce the current gearing. At the date of this report the process is ongoing with a number of interested parties in discussions with the Group. Further details will be provided to shareholders as this process progresses.

Given the debt reduction required by 1 July 2014 and the current terms of the debt facility in place at the date of this report, it is anticipated that the Company and senior financier will need to reset the structure and form of the debt facility by 30 June 2014 to ensure that it is appropriate on an ongoing basis. The reset of the debt facility structure will require the support of the Company's senior financier throughout this process.

The continuing viability of the Group and its ability to continue as a going concern and meet its debt commitments as they fall due is dependent upon ongoing senior financier support, the Group being successful in raising sufficient capital, restructuring the debt facility by 30 June 2014 and generating sufficient future cash flows through trading to comply with the debt repayment schedule and ongoing debt covenants.

In considering the current status of the capital raise together with the ongoing support of its financier including restructuring the debt facility by 30 June 2014 and generating sufficient future cash flows through trading to comply with the debt repayment schedule, the Directors are of the opinion that the Group will be successful in implementing these initiatives and, accordingly, have prepared the financial report on a going concern basis. Notwithstanding this belief, there is a risk that the Group may not be successful in implementing these initiatives or the implementation of alternative options which may be available to the Group.

1. Summary of significant accounting policies (continued)

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Restatement of comparative information

Comparative financial information for the Statement of Comprehensive Income has been restated where necessary to be consistent with presentation of current year figures.

New standards and amendments

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period and are not likely to materially affect future periods.

New and amended accounting standards adopted by the Group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

- AASB 119 *Employee Benefits (September 2011) and* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* and

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The adoption of these standards does not have a material impact on the amounts recognised in the current or prior period financial statements, however will affect the disclosures in the notes to the financial statements.

Impact of standards issued but not yet applied by the entity

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the directors consider the standard will not have a significant effect on the balances recognised in the financial statements or disclosures required. The group has not yet decided when to adopt AASB 9.

There are no other standards that are not yet effective and that are expected to have a material impact on the OPUS Group in the current or future reporting periods and on foreseeable future transactions

2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the OPUS Group.

2. Segment reporting (continued)

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker as defined above that are used to make strategic decisions. These individuals review the business primarily from a products and service offering perspective and have identified two distinct operating segments being Publishing and Outdoor Media.

Publishing Services

The Publishing Services Division provides digital and offset printing, and other ancillary business services including digital asset management, content management, back catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing.

The Division has short run, medium and long run production capabilities and in-house finishing.

The Division also has a business services model that enables the efficient and seamless content creation to consumption for professional, educational, government and trade publishers. This includes webhosting, electronic fulfilment, printing on demand and digital asset management. These capabilities are being extended to the commercial sector as well.

Outdoor Media

The Outdoor Media Division produces and distributes outdoor advertising material and corporate signage for the outdoor advertising industry and corporate signage market. The majority of the work performed by the Outdoor Media Division consists of billboards and posters and requires a rapid turnaround to meet strict advertising campaign deadlines.

(b) Segment revenue

Sales between segments are carried out on an arm's length basis and are eliminated on consolidation. The revenue from external parties reported is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income.

(c) Adjusted EBITDA as monitored by the Board and Senior Management

The chief operating decision makers assess the performance of the operating segments based on a measure of Adjusted EBITDA as monitored by the Board and Senior Management (‘Adjusted EBITDA’). Adjusted EBITDA is a non-IFRS measure of financial performance and is not a principle contemplated by Australian Accounting Standards. This measurement basis excludes the effects of certain items from the operating segments such as restructuring costs, material merger transaction costs, legal expenses and goodwill impairment where these items are not deemed to be part of the underlying performance of the segment. These costs form part of the “Items excluded from Adjusted EBITDA” in the table below. This measure is consistent with the presentation of financial information internally for management accounts purposes.

	Half-year ended 31 December 2013 AUD$‘000s	Restated Half-year ended 31 December 2012 AUD$‘000s
Adjusted EBITDA	7,006	7,532
Depreciation, amortisation of property, plant and equipment	(3,825)	(4,649)
Impairment of goodwill	(30,148)	-
Items excluded from Adjusted EBITDA	(476)	(2,935)
Net finance cost	(3,588)	(3,254)
Unrealised foreign exchange	21	(64)
(Loss) before taxation per the Statement of Comprehensive Income	(31,010)	(3,370)

2. Segment reporting (continued)

(d) Segment information

31 December 2013	**Publishing Services**	**Outdoor Media**	**Other**	**Inter-Segment Eliminations**	**Total**
	AUD$'000s	**AUD$'000s**	**AUD$'000s**	**AUD$'000s**	**AUD$'000s**
Total external revenue	51,194	10,986	-	-	62,180
Inter segment revenue	-	-	-	-	-
Operating expenses	(44,097)	(9,206)	(1,871)	-	(55,174)
Adjusted EBITDA	7,097	1,780	(1,871)	-	7,006

31 December 2012	**Publishing Services**	**Outdoor Media**	**Other**	**Inter-Segment Eliminations**	**Total**
	AUD$'000s	**AUD$'000s**	**AUD$'000s**	**AUD$'000s**	**AUD$'000s**
Total external revenue	48,686	10,598	-	-	59,284
Inter-segment revenue	13	-	-	(13)	-
Operating expenses	(41,187)	(8,627)	(1,951)	13	(51,752)
Adjusted EBITDA	7,512	1,971	(1,951)	-	7,532

(e) Inter-segment transactions

The inter-segment eliminations column above adjusts for the impact of internal transactions and the "Other" column represents unallocated OPUS Group and Corporate costs. Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an 'arms-length' basis and are eliminated on consolidation.

3. Fair value measurement of financial instruments

The Group holds the following financial instruments that are measured and recognised at fair value at 31 December 2013 and June 2013 on a recurring basis:

	Consolidated	
	31 December 2013 AUD$'000s	**30 June 2013 AUD$'000s**
Liabilities at fair value		
Current		
Derivative financial instruments	770	717
Contingent consideration	782	782
	1,552	1,499
Non-Current		
Derivative financial instruments	501	753
Contingent consideration	656	656
	1,157	1,409

3. Fair value measurement of financial instruments (continued)

AASB 13 *Fair value measurements: Disclosures* requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments in the above table, which are used purely for hedging purposes, are measured and recognised at fair value and are included in level 2 of the fair value measurement hierarchy.

The fair value of the derivative financial instruments is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows and the fair value of forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2013:

	Contingent consideration payable AUD$'000s
Opening balance at 30 June 2013	1,438
Closing balance at 31 December 2013	1,438

The contingent consideration is included in level 3 of the fair value measurement hierarchy. The fair value is determined using unobservable inputs.

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. Refer to Note 6 Interest Bearing Liabilities.

4. Assets of disposal group

	Consolidated	
	31 December 2013 AUD$'000s	**30 June 2013 AUD$'000s**
Assets of disposal group	-	12,592

On 16 May 2013, OPUS Group announced that it was undertaking a strategic review of its Outdoor Media Division. The review followed the disposal of a number of non-core assets including the sale and leaseback of the Group's Singapore building, as well as the sale of surplus land and buildings at Maryborough in Victoria, with the proceeds used to pay down debt.

The Outdoor Media Division was classified as a discontinued operation as at 30 June 2013. Consequently, all of the Outdoor related assets and liabilities had been disclosed in the Group's 30 June 2013 Balance Sheet as separate asset and liability categories.

Following the Group's Strategic review in the first half of FY14, there will be no action regarding the Outdoor Media Division at the time of signing of this report. As such, unlike OPUS Limited's Annual Report 2013, Outdoor Media is included as a Continuing Operation in the Statement of Financial Performance.

5. Taxation

	Consolidated 6 months to 31 December 2013 AUD$'000s	6 months to 30 June 2013 AUD$'000s
Opening deferred tax asset	4,108	5,735
Reclassified to disposal group[1]	288	-
Movement during the period	44	(239)
Impairment of deferred tax asset		
-Loss for the period	(4,139)	(1,388)
-Other Comprehensive Income	(301)	-
Closing Total deferred tax asset	-	4,108

[1] Following the Group's Strategic review in the first half of FY14, there will be no action regarding the Outdoor Media Division divestment at the time of signing of this report. As such, unlike OPUS Limited's Annual Report 2013, deferred taxation asset derived from the Outdoor Media is included as a Continuing Operation in the Balance Sheet .

At 31 December 2013, the Group business is carrying a deferred tax asset of $4,440,000 all relating to temporary differences in the Australian businesses. The Australian Group is forecasting an accounting loss for FY14 which will result in further tax losses being recorded for the year. It has been considered appropriate to expense the deferred tax asset as they are not deemed recoverable.

6. Interest bearing liabilities

	Consolidated 31 December 2013 AUD$'000s	30 June 2013 AUD$'000s
Current liabilities		
Secured bank loans	26,500	25,963
Convertible notes [1]	-	3,137
Finance leases	1,017	863
Total current interest bearing liabilities	27,517	29,963
Non-current liabilities		
Secured bank loan	23,723	26,421
Finance leases	1,989	2,244
Total non-current interest bearing liabilities	25,712	28,665
Total interest bearing liabilities	53,229	58,628

[1] Refer to Note 7 for details regarding the conversion of the convertible notes into equity during the period.

Utilisation of the OPUS Group's debt facilities at 31 December 2013 and 30 June 2013 is as follows:

	Utilised Amount AUD$'000s	Total Facility AUD$'000s
31 December 2013		
Secured bank loan – tranche A	37,341	37,341
Secured bank loan – tranche B	12,882	12,882
Working capital facility [1]	2,660	4,000
	52,883	54,223
30 June 2013		
Secured bank loan – tranche A	48,362	48,362
Secured bank loan – tranche B	4,021	4,021
Working capital facility [1]	2,526	4,000
	54,909	56,383

[1] The utilised component of the working capital facility relates to bank overdrafts, off balance sheet bank guarantees and letters of credit.

6. Interest bearing liabilities (continued)

During the first half of FY14 the Group restructured its debt facility with the Commonwealth Bank of Australia through to 2016 to provide future flexibility to support the repositioning of the business. The Group has taken measures to explore the potential of raising capital to address its short and long term capital needs and growth plans.

7. Share capital

	Consolidated	
	31 December 2013 AUD$'000s	30 June 2013 AUD$'000s
Issued and paid up capital:		
151,122,255 (30 June 2013: 53,678,177) ordinary shares - fully paid	43,130	39,353

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the there is no limit on the amount of authorised capital.

OPUS Group issued and allotted 68,527,794 fully paid ordinary shares to Knox OPUS LP ('Knox'), following the conversion of $2,400,000 and capitalised interest of $272,584 of the convertible notes on issue to Knox as at 1 November 2013.

Further, the Group issued and allotted 28,916,284 fully paid ordinary shares to an associated entity of Richard Celarc ('Richard Celarc'), following the conversion of $1,000,000 and capitalised interest of $119,060 of the convertible notes on issue to Richard Celarc as at 7 November 2013.

The shares had been issued in accordance with the Secured Redeemable Convertible Note Facility Deed dated 28 March 2013 and approved by shareholders at the 28 March 2013 General Meeting of the Company. The ordinary shares issued to Knox and Richard Celarc rank equally and are issued on the same terms as all other ordinary shares on issue.

8. Earnings per share

	Consolidated	
	31 December 2013	Restated 31 December 2012
Basic loss per share (cents)	(42.09)	(7.15)
Diluted loss per share (cents)	(42.09)	(7.15)

	Consolidated	
	31 December 2013 AUD$'000s	Restated 31 December 2012 AUD$'000s
Loss used in calculating basic and diluted earnings per share	(35,256)	(3,836)

	Consolidated	
	31 December 2013 '000s	31 December 2012 '000s
Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted loss per share	82,375	53,678

9. Related parties

Key management personnel receive compensation in the form of short term employee benefit and post-employment benefits. All arrangements with key management personnel are on commercial trading terms. Refer to the Note 7 Share Capital for details of related party transactions entered into during the current and subsequent periods. Refer to Note 12 for restated prior year reported balances relating to a related party loan.

10. Subsequent events

As announced to the market on 18 February 2014, OPUS Group recently submitted a tender to a major publishing house for book printing in Australia. This follows the merger of two publishing groups in mid-2013, one of which had been a long-term customer of OPUS Group.

The result of the tender has not been formally released; however we understand that OPUS was unsuccessful. Whilst disappointed, we believed our tender was very competitive, balancing our value proposition with the need for a sustainable and continued relationship with our customer.

It is anticipated that the changes to arrangements with OPUS's current customer will take effect principally from FY15, although it will have an impact on the 2H FY14 result.

Accordingly and as a result of competitive market conditions, the Board has resolved to reduce its full year forecast and earnings guidance which has subsequently impacted our carrying values for goodwill in Publishing Australia (refer to Note 11 for details).

11. Non-current assets – intangibles

(a) *Impairment testing*

Goodwill

For the purpose of impairment testing, goodwill is allocated to the OPUS Group's cash generating units ('CGU') which represent the lowest level that independent cash flows are generated (as at the reporting date).

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Consolidated	
	31 December 2013 AUD$'000s	**30 June 2013 AUD$'000s**
Cactus Australia	6,445	6,445
Publishing Services Australia	-	30,148
C.O.S. Printers Pte Limited[(1)]	18,036	16,602
Total goodwill	24,481	53,195
Reclassified to disposal group[(2)]	-	(6,445)
Total goodwill presented on the Balance Sheet	24,481	46,750

[(1)] The change in COS goodwill relates to FX movements with a deterioration in the AUD against the NZD, noting the goodwill is denominated in NZD as the acquirer was OPUS Group NZ Holdings Limited.

[(2)] Following the Group's Strategic review undertaken in the first half of FY14, there will be no action regarding the Outdoor Media Division divestment at the date of this report. As such, unlike OPUS Limited's Annual Report 2013, goodwill derived from the Outdoor Media is included as a Continuing Operation in the Balance Sheet.

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial forecasts covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each CGU, the OPUS Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

When determining the carrying value of the cash generating unit an allocation of the OPUS Group's corporate asset base has been made to each unit.

11. Non-current assets – intangibles (continued)

The value-in-use has been based on the following key assumptions:

CGU	EBITDA growth rate (2 to 5 years)	Terminal value growth rate	Discount rate (pre-tax)	Capex Growth Rate
Cactus subgroup	3%	0%	17%	25%
Publishing Services Australia	1%	2%	17%	23%
Singapore Subgroup	3%	2%	12%	25%

Cash flows of each CGU have been projected based on the actual historical operating results and then a forecast which has been extended for 4 years using EBITDA growth assumptions noted above applicable to each CGU.

Terminal cash flows beyond 5 years forecast of each CGU were extrapolated using a constant growth rate as noted above. Growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGU's operate.

The forecasts for the purposes of each of the value in use calculations are most sensitive to changes in the projected cash flows in year 1, the terminal growth rate and the discount rate.

The Board have reviewed the sensitivities of each CGU's recoverable value for the above noted assumptions.

One of the key assumptions is the inclusion of capital expenditure cash flows. These are forecasted to grow at a rate of 23%-25% over the forecast period (June 2013: 10%). The magnitude and timing of these cash flows is within the control of OPUS Group management.

The Board are not aware of any other reasonably possible changes in any of the key assumptions used in the impairment models that would cause the carrying value of a CGU to equal its recoverable amount. The Board believe that the key assumptions used in the impairment models are appropriate and support the carrying amount of the individual CGUs.

Impairment of Publishing Services Australia

During the current year an impairment charge of $30,148,000 was recognised against the entire of the Publishing Services Australia CGU's goodwill. The recoverable amount used in the goodwill calculations was based on a value-in-use model. The impairment charge is a direct result of the downgrade in earnings of the Publishing Services Australia CGU and the loss of a major customer as outlined in the ASX announcement on 18 February 2014.

The discount rate and other key assumptions used in the value-in-use calculations are disclosed above.

12. Restatement of prior year reported balances

In 2007 and 2009, loans were provided to the Company's Chief Executive Officer to purchase an ownership interest in the Group. The Company has recourse to and security over the shares purchased by the Chief Executive Officer. These loans were accounted for as a receivable from the Chief Executive Officer to the Company in previous Financial Reports of the Company. It has been identified in the current period that this arrangement would be more appropriately accounted for as an option over the shares with the loan balance representing a theoretical strike price.

12. Restatement of prior year reported balances (continued)

The prior year balances have been restated to reflect this revised accounting treatment. A comparison of the previously presented balances, the adjustments made and the restated balances is outlined in the table below:

	As Previously Presented ('000s)	Adjustment ('000s)	Restated ('000s)
Half year ended 31 December 2012			
Opening accumulated losses as at 1 July 2012	(3,075)	(1,070)	(4,145)
Closing accumulated losses at 31 December 2012	(6,880)	(1,101)	(7,981)
Other current assets	1,101	(1,101)	-
Interest income for the period	69	(31)	38
Loss before tax	(3,339)	(31)	(3,370)
Net loss after tax	(3,805)	(31)	(3,836)
Half year ended 31 December 2013			
Opening retained earnings as at 1 July 2013	(4,787)	(1,135)	(5,922)

The directors have not presented a third (prior period) column on the statement of financial position because the impact on opening reserves at 1 July 2012 is considered immaterial.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 21 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

This declaration is made in accordance with a resolution of the directors.

W Mackarell

William J. Mackarell

Chairman

Sydney

28 February 2014

Independent auditor's review report to the members of OPUS Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of OPUS Group Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for OPUS group (the consolidated entity). The consolidated entity comprises OPUS Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of OPUS Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Conclusion

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

a) giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our report, we draw attention to Note 1 in the financial report, which indicates that the Group's ability to meet its debt repayments is dependent upon the Group being successful in raising sufficient capital and generating sufficient future cash flows through trading. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
28 February 2014

ASIC REGULATORY GUIDE 230 DISCLOSING NON-IFRS FINANCIAL INFORMATION

In December 2011, ASIC issued Regulatory Guide 230. To comply with this Guide, OPUS Group is required to make a clear statement about the non-IFRS information included in this release.
In addition to statutory reported amounts, non-IFRS measures are used by Senior Management and the Directors' as the primary measures of assessing financial performance of the Group and individual operating segments.

Non-IFRS measures used in describing financial performance include:

- **Adjusted EBITDA**
  Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA') excludes the effects of certain items such as restructuring costs, material merger transaction costs, legal expenses and other related costs.

- **Items excluded from Adjusted EBITDA**
  Items excluded from Adjusted EBITDA reflect the effects of certain items such as restructuring costs, material merger transaction costs, legal expenses and other related costs.

- **Operating cash flow pre interest, tax and items excluded from Adjusted EBITDA**
  Operating cash flow pre interest, tax and items excluded from Adjusted EBITDA represents the operating cash flows from trading activities excluding net tax payments, net interest and cash flows related to the items excluded from Adjusted EBITDA.

- **Net debt**
  Net debt is calculated as total interest bearing liabilities less cash and cash equivalent balances (net of bank overdrafts). This measure excludes bank guarantees and letters of credit recognised off balance sheet. Interest bearing liabilities include finance leases.

This release and the included non-IFRS disclosures have not been audited.