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ASX Release **10 February 2011**

STW ANNOUNCES FULL YEAR 2010 RESULT
- STRONG RETURN TO GROWTH -

STW Communications Group Limited ("STW Group" ASX: SGN), Australasia's leading marketing content and communications group, today announced its financial results for the full year ended 31 December 2010.

Key features of the result include:

- **Revenue[1] of $304.3 million, up 13.0% (2009: $269.2 million) and is back to pre-GFC levels.**
- **Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")[1] of $69.4 million, up 10.5% (2009: $62.8 million).**
- **Underlying Net Profit After Tax ("NPAT")[2] of $38.7 million, up 17.0% (2009: $33.1 million).**
- **Reported Statutory NPAT of $38.7 million, up 77.5% (2009: $21.8million).**
- **Underlying earnings per share[2] of 10.8 cents (2009: 11.1 cents). The slight reduction in EPS is as a result of the dilutive impact of the 7 for 8 rights issue that took place in the first half of 2009.**
- **Exceptionally strong free cashflow of $75.2 million for the full year (2009: $66.7 million) supported by a continued improvement in working capital.**
- **Further reduction in net debt and future earnout payments to $76.1 million (31 December 2009: $131.1 million).**
- **Signed new banking facilities during 2010 securing bank funding through to at least 2014, with an option to further extend facilities until January 2015.**
- **Final dividend of 4.2 cents per share, fully franked, up 110% (2009: 2.0 cents per share, fully franked). Total dividend relating to the 2010 year of 6.5 cents per share, fully franked (2009: 3.5 cents per share, fully franked). The full year dividend payout ratio is 60.0% of underlying profit.**

STW Group's NPAT for the full year ended 31 December 2010 is comprised as follows:

($ millions)	2010	2009	Change
Advertising, Media and Production	31.7	27.6	14.9%
Diversified Marketing & Communications	23.9	21.0	13.8%
Total Operating NPAT	**55.6**	**48.6**	**14.4%**
STW Group Holding Company (including net interest expense)	(16.9)	(15.5)	(9.0%)
Underlying NPAT	**38.7**	**33.1**	**17.0%**
Losses on sale of investments and Amortisation	-	(11.3)	
Reported NPAT	**38.7**	**21.8**	**77.5%**
Underlying EPS (fully diluted)	10.8 cents	11.1 cents	
Reported EPS (fully diluted)	10.8 cents	7.3 cents	

Note 1: STW Group has a direct and indirect ownership interest in over 70 advertising and communication entities. The financial data presented above aggregates, on a percentage basis, STW Group's interest in the revenues, profits and losses of its subsidiaries and associates.

Note 2: Underlying NPAT and Underlying EPS excludes one-off losses on sale of businesses and amortisation.

STW's Chief Executive Officer, Michael Connaghan said: "As anticipated a year ago when we said our businesses were poised to capitalise on improved trading conditions in 2010, we have indeed seen a pleasing return to growth across the board."

"STW has proven its model has great resilience through what was a tough 2009. The improved financial performance in 2010 has been driven entirely by organic growth and is a reflection of the strength and quality of our businesses, market share gains, the talent and commitment of our people and the increasing confidence amongst our client base."

2011 Outlook

"2010 was notable for market share gains for our companies in our local Australian and New Zealand home markets. Importantly, we have also had considerable success offshore in Asia and the U.K. 2011 will be a year in which we win more revenues outside Australia and New Zealand."

"STW has a proven track record of delivering results and maximising return on investment for our clients. With a strong professional offering, a balanced portfolio of companies, coupled with a disciplined approach to financial management, STW is well positioned to drive long-term success," Mr Connaghan said.

"At this early stage of the year, we anticipate underlying NPAT growth between 5% to 10% for the full year ended 31 December 2011. We will continue to monitor the macro-economic drivers and operating conditions impacting on our customer base and will provide an update at our Annual General Meeting in May."

Cash, Gross Debt & Facilities

As at 31 December 2010, STW's cash and gross debt balances were $43.8 million (31 December 2009: $42.0 million) and $77.3 million (31 December 2009: $113.6 million) respectively.

Lukas Aviani, STW's Chief Financial Officer said: "The Company has continued to consolidate its financial position during 2010. Profits are again underlined by strong cashflow and are supported by continued improvement in working capital. This has enabled STW to reduce net debt at 31 December 2010 to $33.5 million (31 December 2009: $71.6 million)."

"STW has total estimated earnout liabilities of $42.6 million as at 31 December 2010 (31 December 2009: $59.5 million). Approximately 60% of our existing earnout liabilities will be paid within the next 12 months. We remain comfortable with our capacity to service our remaining earnout liabilities given their quantum and payment caps in place. Earnout liabilities will be funded through a strong balance sheet, existing debt facilities and free cashflow."

"The Company signed new bank facilities in December 2010 and was very satisfied with the keen interest shown by lenders wanting to partner with STW. The Company now has access to debt facilities totaling $173.5 million (of which $77.3 million is drawn). Of these facilities, $3.5 million matures in June 2011 and $170.0 million matures in January 2014."

"The Board is currently undertaking a review of our capital structure in light of our strengthened financial position and will update shareholders by the upcoming Annual General Meeting in May."

Dividend

The Directors of STW Communications Group declared a fully franked final dividend of 4.2 cents per share (2009: 2.0 cents per share). The full year dividend declared of 6.5 cents per share (fully franked) represents a payout ratio of 60.0% of underlying profit. The increase in absolute dividend and dividend payout ratio is a reflection of our more confident outlook, improved economic conditions, strong cash flows and diligent management of working capital.

The final dividend will be paid on 22 April 2011 to shareholders registered at 8 April 2011.

Results Presentation

The STW Group's full year 2010 results presentation will take place at a public briefing at the Press Room at The Radisson Plaza Hotel, 72 O'Connell Street, Sydney on Thursday 10th February 2011 at 9:30am AEST. The presentation will also be broadcast live on Boardroom Radio; brr.com.au.

For further information contact:

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ASX APPENDIX 4E
PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

APPENDIX 4E
STW COMMUNICATIONS GROUP LIMITED

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 2010**	**31 December 2009**

Results for announcement to the market

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

Revenues from ordinary activities	up	12%	to	$309,985
Profit from ordinary activities after tax attributable to members	up	78%	to	$38,663
Net profit for the year attributable to members	up	78%	to	$38,663
Earnings per share – Basic	up	48%	to	10.81¢
Earnings per share – Diluted	up	48%	to	10.81¢

Dividends	Amount per security	Franked amount per security at 30%
Current Year:		
Final dividend declared subsequent to 31 December 2010	4.2 ¢	4.2¢
Interim dividend declared (paid 10 September 2010)	2.3 ¢	2.3 ¢
Previous Year:		
Final dividend declared (paid 12 May 2010)	2.0 ¢	2.0 ¢
Interim dividend declared (paid 10 September 2009)	1.5 ¢	1.5 ¢

Record date for determining entitlements to the dividend	11 April 2011
Date dividend is payable	22 April 2011

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

Refer to the Press Release for commentary

Discussion and Analysis of the results for the year ended 31 December 2010

Refer to the Press Release for commentary

STW COMMUNICATIONS GROUP LIMITED

Consolidated Income Statement

For the financial year ended 31 December 2010

	Notes	Consolidated Entity 2010	2009
		$'000	$'000
Continuing operations			
Revenue	2(a)	309,985	275,941
Other income	2(b)	4,314	3,627
Share of net profit of jointly controlled entities accounted for using the equity method	2(c)	9,049	7,876
		323,348	**287,444**
Employee benefits expense		(187,470)	(166,435)
Occupancy costs		(15,679)	(13,906)
Depreciation and amortisation expense	3(a)	(5,871)	(5,744)
Impairment costs	3(c)	-	(8,879)
Travel, training and entertainment costs		(8,684)	(7,103)
Commercial costs		(6,229)	(4,693)
Office costs		(12,463)	(9,912)
Administration costs		(9,652)	(9,258)
Finance costs	3(b)	(11,741)	(14,764)
Profit before income tax		**65,559**	46,750
Income tax expense	4	(16,113)	(15,078)
Net profit		**49,446**	31,672
Net profit attributable to:			
Minority interests		10,783	9,892
Members of the parent entity		38,663	21,780
		Cents	Cents
Earnings per share			
Basic earnings per share	9	10.81	7.32
Diluted earnings per share	9	10.81	7.32

The above Income Statement should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2010

	Notes	Consolidated Entity 2010 $'000	2009 $'000
Net Profit		**49,446**	**31,672**
Other comprehensive income			
Exchange loss arising on translation of foreign operations		(4,176)	(1,940)
Gain on cash flow hedges taken to equity		1,641	2,537
Income tax relating to components of other comprehensive income		(492)	(761)
Other comprehensive income for the year (net of tax)		(3,027)	(164)
Total comprehensive income for the year		**46,419**	31,508
Total comprehensive income attributable to:			
Minority interests		10,152	9,501
Members of the parent entity		36,267	22,007

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

STW COMMUNICATIONS GROUP LIMITED

Consolidated Balance Sheet
As at 31 December 2010

	Notes	Consolidated Entity 2010	2009
		$'000	$'000
Current assets			
Cash and cash equivalents		43,769	42,034
Trade and other receivables		153,656	121,475
Current tax assets	4	1,123	5,522
Other current assets		2,143	4,282
Total current assets		**200,691**	**173,313**
Non-current assets			
Other receivables		12,853	12,775
Investments accounted for using the equity method		100,326	98,550
Other financial assets		228	225
Plant and equipment		19,906	20,342
Deferred tax assets		8,851	8,406
Intangible assets		382,847	381,637
Other non-current assets		2,687	781
Total non-current assets		**527,698**	**522,716**
Total Assets		**728,389**	**696,029**
Current liabilities			
Trade and other payables		216,066	141,928
Borrowings		3,463	530
Current tax liabilities	4	17,492	9,015
Provisions		6,714	7,998
Total current liabilities		**243,735**	**159,471**
Non-current liabilities			
Other payables		17,423	46,641
Borrowings		73,800	113,048
Deferred tax liabilities		6,718	6,896
Provisions		2,274	2,220
Total non-current liabilities		**100,215**	**168,805**
Total liabilities		**343,950**	328,276
Net assets		**384,439**	367,753
Equity			
Issued capital	7	276,186	276,100
Reserves		9,378	11,249
Retained earnings		62,174	39,137
Equity attributable to members of the parent		**347,738**	326,486
Minority interests		36,701	41,267
Total equity		**384,439**	367,753

	Consolidated Entity 2010	2009
Net Tangible Asset Backing		
Net tangible asset backing per ordinary share	**0.4¢**	(15¢)

The above Balance Sheet should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2010

	Notes	Attributable to members of the parent								
		Issued capital	Equity settled share-based payment reserve	Brand name revaluation reserve	Interest rate hedge reserve	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2009		**197,091**	**5,788**	**16,275**	**(3,111)**	**(2,142)**	**29,882**	**243,783**	**36,904**	**280,687**
Net profit		-	-	-	-	-	21,780	21,780	9,892	31,672
Other comprehensive income		-	-	-	1,776	(1,549)	-	227	(391)	(164)
Total comprehensive income		**-**	**-**	**-**	**1,776**	**(1,549)**	**21,780**	**22,007**	**9,501**	**31,508**
Minority interests on acquisition of controlled entities		-	-	-	-	-	-	-	3,162	3,162
Rights Issue	7(a)	73,221	-	-	-	-	-	73,221	-	73,221
Issue of executive share plan shares	7(d)	5,788	(5,788)	-	-	-	-	-	-	-
Equity dividends provided for or paid	5	-	-	-	-	-	(12,525)	(12,525)	(8,300)	(20,825)
At 31 December 2009		**276,100**	**-**	**16,275**	**(1,335)**	**(3,691)**	**39,137**	**326,486**	**41,267**	**367,753**

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2010

	Notes	Attributable to members of the parent								
		Issued capital	Equity settled share-based payment reserve*	Brand name revaluation reserve*	Interest rate hedge reserve*	Foreign currency translation reserve*	Retained earnings	Total	Minority interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2010		**276,100**	**-**	**16,275**	**(1,335)**	**(3,691)**	**39,137**	**326,486**	**41,267**	**367,753**
Net profit		-	-	-	-	-	38,663	38,663	10,783	49,446
Other comprehensive income		-	-	-	1,149	(3,545)	-	(2,396)	(631)	(3,027)
Total comprehensive income		**-**	**-**	**-**	**1,149**	**(3,545)**	**38,663**	**36,267**	**10,152**	**46,419**
Minority interests on acquisition of controlled entities		-	-	-	-	-	-	-	9	9
Issue of Executive share plan shares	7(a)	86	(86)	-	-	-	-	-	-	-
Cost of share based payments	7(d)	-	611	-	-	-	-	611	-	611
Equity dividends provided for or paid	5	-	-	-	-	-	(15,626)	(15,626)	(14,727)	(30,353)
At 31 December 2010		**276,186**	**525**	**16,275**	**(186)**	**(7,236)**	**62,174**	**347,738**	**36,701**	**384,439**

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 brand name revaluation reserve is used to record the net upward revaluation of acquired brand names.
- The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument in a hedge that is determined to be an effective cash flow hedge.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Cash Flow Statement
For the financial year ended 31 December 2010

	Notes	Consolidated Entity 2010	2009
		$'000	$'000
Cash Flows from operating activities			
Receipts from customers		946,849	891,973
Payments to suppliers and employees		(851,311)	(793,228)
Net cash flows from operations		**95,538**	**98,745**
Interest received		2,701	3,304
Interest and other costs of finance paid		(9,151)	(12,100)
Dividend and trust distributions received from jointly controlled entities		6,880	7,310
Income tax paid		(6,324)	(18,037)
Net cash inflow from operating activities	10	**89,644**	**79,222**
Cash Flow from investing activities			
Payments for purchase of controlled entities, net of cash acquired	11(c)	(765)	(6,443)
Payments for purchase of jointly controlled entities		(3,912)	(424)
Proceeds from disposal of jointly controlled entities		510	-
Earnout payments on controlled entities		(17,065)	(22,237)
Payments for purchase of plant and equipment		(5,254)	(4,207)
Loans from/ (to) associates and jointly controlled entities (net)		(75)	(6,275)
Net cash outflow from investing activities		**(26,561)**	**(39,586)**
Net cash provided by operating and investing activities		**63,083**	**39,636**
Cash Flow from financing activities			
Proceeds from borrowings		265,550	76,071
Repayment of borrowings		(299,452)	(168,525)
Repayment of finance lease liability		(2,414)	(347)
Gross proceeds from issue of shares	7	-	75,914
Cost of issue of shares	7	-	(2,693)
Dividends paid to minority interests		(9,104)	(8,300)
Equity holder dividends paid		(15,626)	(12,525)
Net cash used in financing activities		**(61,046)**	**(40,405)**
Net increase/(decrease) in cash held		**2,037**	**(769)**
Effects of exchange rate changes on cash and cash equivalents		(302)	(178)
Cash at the beginning of the year		42,034	42,981
Cash at the end of the year		**43,769**	**42,034**

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2010

Note 1. Basis of preparation of preliminary final report

This preliminary final report is a general purpose financial report, which has been prepared on the same basis as the last annual report unless otherwise indicated and in accordance with the ASX Listing Rules and other mandatory professional reporting requirements.

The preliminary final report has been prepared in accordance with the historical cost convention.

The preliminary final report does not include all notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows as the full financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by STW Communications Group Limited during, and subsequent to, the year ended 31 December 2010 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules of the ASX.

The principal accounting policies adopted in its preparation are consistent with those of the previous financial year and corresponding interim financial report.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2010

Note 2. Revenues

	Consolidated Entity	
	2010	2009
	$'000	$'000
(a.) Revenues		
Services rendered	307,236	272,637
Interest income		
Associated entities and joint ventures	324	426
Other entities	2,425	2,878
Total interest income	2,749	3,304
Total revenues from ordinary activities	**309,985**	**275,941**
(b.) Other income		
Other income	4,314	3,627
Total other income	**4,314**	**3,627**
(c.) Share of net profit of associates and jointly controlled entities accounted for using the equity method		
Equity share of associates and jointly controlled entities' net profit	9,049	7,876

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2010

Note 3. Expenses

Profit for the year has been derived after crediting/(charging) the following losses and expenses:

		Consolidated Entity	
		2010	2009
	Notes	**$'000**	$'000
(a.) Depreciation and amortisation expenses			
Depreciation and amortisation of non-current assets:			
Plant and equipment		5,321	4,974
Total depreciation of non-current assets		**5,321**	**4,974**
Amortisation of non-current assets:			
Intangible assets		550	770
Total amortisation of non-current assets		**550**	**770**
Total depreciation and amortisation expense		**5,871**	**5,744**
(b.) Finance costs			
Interest expense – other parties		8,977	12,100
Interest expense – deferred consideration payable		2,590	2,474
Finance lease charges		174	190
Total finance costs		**11,741**	**14,764**
(c.) Other (gains) and expenses			
Loss on disposal if investment (net)		-	1,065
Impairment of goodwill		-	3,041
Impairment of jointly controlled entities		-	5,838
Loss on disposal of plant and equipment		374	14

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2010

Note 4. Income Tax

	Consolidated Entity	
	2010	2009
	$'000	$'000
Major components of income tax are:		
Income Statement		
Current income tax		
Current income tax charge	16,627	14,022
Adjustments in respect of current income tax of previous years	109	242
Deferred income tax		
Relating to origination and reversal of temporary differences	(623)	814
Income tax expense reported in income statement	**16,113**	**15,078**
Tax asset and liability included in the financial statements:		
Current tax assets	(1,123)	(5,522)
Current tax liabilities	17,492	9,015
	16,369	**3,493**
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:		
Accounting profit before income tax	**65,559**	**46,750**
At the statutory income tax rate of 30% (2009: 30%)	19,668	14,025
Adjustments in respect of current income tax of previous years	109	242
Tax adjustments resulting from equity accounting	(2,715)	(2,363)
Other items not allowable/(allowable) for income tax purposes	(1,114)	2,918
Amortisation of intangible assets	165	256
Income tax expense reported in Income Statement	**16,113**	**15,078**

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2010

Note 5. Dividends

Date proposed final dividend payable.	**22 April 2011**
Date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received by 5.00pm if securities are not CHESS approved, or security holding balances established by 5.00pm or such later time permitted by SCH Business Rules if securities are CHESS approved) and the last date for receipt of election notices for the dividend.	**8 April 2011**

Dividend Reinvestment Plan
A dividend reinvestment plan will not be in operation.

	Consolidated Entity	
	2010	2009
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2009: 2.0 cents per share (2008: 3.2 cents per share)	7,151	6,158
Dividends paid pursuant to the executive share plan ("ESP")	249	1,005
Interim franked dividend for 2010: 2.3 cents per share (2009: 1.5 cents per share)	8,226	5,362
	15,626	**12,525**
Dividends not recognised at the end of the financial year		
In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of 4.2 cents (2009: 2.0 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend expected to be paid on 22 April 2011 (2009: 12 May 2010), out of retained profits at the end of the financial year, but not recognised as a liability, is:	**15,022**	7,286
Franked Dividends		
The franked portions of dividends recommended after 31 December 2010 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 2010.		
Franking credits available for subsequent financial years based upon a tax rate of 30%	**20,270**	6,140

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2010

Note 6. Investments Accounted For Using the Equity Method

Jointly Controlled Entities		**Ownership Interest**	
		2010	2009
Name	**Principal Activity**		
Adcast Unit Trust	Automated marketing Services	-(*)	40%
Campaigns & Communications Group Pty Limited	Campaign management	20%	20%
Catalyst Advertising Pty Limited	Advertising	50%	50%
Corporate Film Company Pty Limited	Production	50%	50%
Evocatif Pty Limited	Communications	49%	49%
i2i Communications Pty Limited	Communications	49%	49%
Ikon Perth Unit Trust	Media Buying	45%	-
J. Walter Thompson International Limited (New Zealand)	Advertising	49%	49%
Jamshop Pty Limited	Advertising	40%	40%
Marketing Communications Holdings Australia Pty Limited and its subsidiaries	Advertising and communications	49%	49%
Massive Media Pty Limited and its subsidiaries	Website design	49%	49%
M Media Group Pty Limited and its subsidiaries	Media buying	47.5%	47.5%
New Dialogue Pty Limited	Media planning	49%	49%
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries	Public relations	49%	49%
Paragon Design Group Pty Limited	Advertising	49%	49%
Spinach Advertising Pty Limited	Advertising	20%	20%
Straterjee Pty Limited	Consulting	25%	25%
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%
TCO Pty Limited	Branded content production	40%	40%
Torque Australia Pty Limited	Data management	-(**)	40%
White Digital Pty Limited	Digital marketing	49%	49%

(*) 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.

(**) The company disposed of its interest in this entity during the year.

Note 6. Investments Accounted For Using the Equity Method (continued)

	Notes	Consolidated Entity 2010 $'000	2009 $'000
Investments in associates and jointly controlled entities:			
JWT Group	(i)	2,646	2,624
M Media Group Pty Limited		2,641	1,909
Ogilvy Public Relations Worldwide Pty Limited		1,101	542
Other contributions	(ii)	2,661	2,801
Equity share of jointly controlled entities profit		**9,049**	7,876

(i) The JWT Group comprises Marketing Communications Holdings Australia Pty Limited, i2i Communications Pty Ltd and J. Walter Thompson International Limited (New Zealand).

(ii) The individual contributions to this balance are insignificant to an understanding of these financial statements.

Note 7. Contributed Equity

	2010 Number of Shares	2009 Number of Shares	2010 $'000	2009 $'000
Ordinary shares issued and fully paid – parent entity	364,310,964	364,310,964	297,435	297,435
Shares under the ESP	(6,652,333)	(6,752,333)	(21,249)	(21,335)
Total issued capital - consolidated	**357,658,631**	**357,558,631**	**276,186**	**276,100**

(a) Movement in ordinary shares on issue

	2010 Number of Shares	**2010 $'000**	2010 Number of Shares	2009 $'000
At 1 January	364,310,964	297,435	199,280,485	224,214
Rights Issue	-	-	165,030,479	73,221
At 31 December for parent entity	**364,310,964**	**297,435**	**364,310,964**	**297,435**

(b) 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.

(c) Rights issue

The Company raised additional capital during 2009 by way of an accelerated pro rata rights issue at an issue price of $0.46 per share. The Rights Issue resulted in the issue of 165,030,479 new securities for total proceeds of $75,914,000 (prior to the costs of the raising of $2,693,000). No rights issues were undertaken during the year ended 31 December 2010.

Note 7. Contributed Equity (continued)

(d) Unvested employee incentive shares – ESP Shares

The Company has an executive incentive scheme, the ESP, under which rights to the Company's shares have been granted to senior executives. Shares in the Company that are held by the STW Executive Share Plan Trust for the purpose of issuing shares under the executive incentive scheme and are deducted from equity.

Movement in shares under the ESP

	2010 Number of Shares	**2010 $'000**	**2009 Number of Shares**	2009 $'000
At 1 January	6,752,333	21,335	8,793,333	27,123
Shares allocated to executives	(100,000)	(86)	(2,041,000)	(5,788)
At 31 December for parent entity	**6,652,333**	**21,249**	**6,752,333**	**21,335**

Note 8. Control Gained / Lost over Entities

Name	**Transaction Date**	**Ownership Interest as at 31 December 2010 %**
Acquisitions		
Adcast Unit Trust	1 July 2010	100%

Note 9. Earnings Per Share

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

	Consolidated Entity	
	2010	2009
	$'000	$'000
Net profit attributable to ordinary equity holders of the Company from continuing operations for basic earnings per share	**38,663**	**21,780**
Effect of dilution:		
Dilutive adjustments to net profit	**-**	-
Net profit attributable to ordinary equity holders of the Company for diluted earnings per share	**38,663**	**21,780**
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic earnings per share	357,591,782	297,480,362
Impact of Executive share plan shares where EPS growth performance targets have been met	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted EPS	**357,591,782**	**297,480,362**
	Cents	Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		
Basic earnings per share	**10.81**	7.32
Diluted earnings per share	**10.81**	7.32

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements
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Note 10. Notes to the Cash Flow Statement

	Consolidated Entity	
	2010	2009
	$'000	$'000
Reconciliation from net profit to the net cash flows from/(used in) operating activities		
Net profit	49,446	31,672
Adjustments		
Share of jointly controlled entities' net profits, net of dividends and trust distributions received	(2,188)	(566)
Depreciation and amortisation of non-current assets	5,871	5,744
ESP expense non-cash	611	-
Interest expense on deferred consideration payable	2,590	2,474
Impairment costs	-	8,879
Net loss on disposal of non-current assets	374	1,079
Gain on acquisition of non-current assets	(838)	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(29,978)	19,010
(Increase)/decrease in other receivables	(1,906)	1,112
(Increase)/decrease in deferred tax assets	(446)	814
Increase in trade and other payables	38,406	9,379
Increase in provisions	17,848	742
Increase/(decrease) in current income tax payable	12,763	(3,773)
(Decrease)/increase in other liabilities	(2,909)	2,656
Net cash flows from operating activities	**89,644**	**79,222**

Note 11. Business Combinations

(a) Summary of acquisitions and disposals

During the year ended 31 December 2010:

On 1 July 2010, STW Media Services Pty Limited ("SMS") acquired an additional 60% of Adcast Unit Trust ("Adcast") thereby increasing SMS's ownership to 100%. Adcast provides automated marketing solutions and operates out of Melbourne.

During the year ended 31 December 2009:

On 1 January 2009, STW Media Services Pty Limited ("SMS") acquired an additional 21% of IM Advertising Pty Limited ("IM Advertising") thereby increasing SMS's ownership to 70%. IM Advertising is a full service advertising agency which operates out of Sydney.

On 1 January 2009, STW Media Services Pty Limited ("SMS") acquired an additional 55% of Junior Advertising Pty Limited ("Junior") thereby increasing SMS's ownership to 80%. Junior is a marketing communications agency which operates out of Brisbane.

On 1 January 2009, STW Media Services Pty Limited ("SMS") acquired 84.9% of Subnine Pty Limited ("Subnine") in exchange for the 44.1% stake in International Quarterback Pty Limited. Subnine is a sports sponsorship company which operates out of Sydney.

On 1 January 2009, STW Media Services Pty Limited ("SMS") acquired 80% of Savage & Partners Pty Limited ("Savage & Partners"). Savage & Partners is a corporate communications consultancy which operates out of Sydney.

On 1 January 2009, STW Media Services Pty Limited ("SMS") acquired an additional 15.3% of iCRE8 Pty Limited ("iCRE8") thereby increasing SMS's ownership to 51%. iCRE8 is a promotions and incentives agency which operates out of Sydney.

On 31 March 2009, STW Media Services Pty Limited ("SMS") disposed of its 70% interest in Generation Alliance Pty Limited.

Note 11. Business Combinations (continued)

(a) Summary of acquisitions and disposals (continued)

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

		Consolidated Entity	
		2010	2009
	Notes	**$'000**	$'000
Purchase consideration:			
Deferred/contingent consideration (i)		869	12,151
Cash paid in the current period	11(c)	1,515	8,419
Fair Value – minority interests (ii)		1,397	-
Total purchase consideration		**3,781**	**20,570**
Fair value of net identifiable (liabilities) / assets acquired	11(b)	3,493	(37)
Goodwill acquired		288	20,607

(i) Contingent consideration requires the Company to pay the vendors an additional $1,050,000 subject to certain events occurring. $869,000 represents the estimated fair value of this obligation.

(ii) The fair value of the Company's equity interest in Adcast held before the business combination amounted to $559,000. The Company recognised a gain of $838,000 as a result of measuring at fair value its 40% equity interest in Adcast held before the business combination. The gain is included in other income in the Company's statement of comprehensive income for the year ending 31 December 2010.

The acquired businesses contributed revenues of $1,369,000 and a net profit of $489,000 to the Group for the period from 1 January 2010 to 31 December 2010. If control over these entities had all been achieved on 1 January 2010, the profit for the group would have been $34,000 higher and revenue from continuing operations would have been $425,000 higher.

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 subsidiaries. The fair values of assets and liabilities acquired are based on discounted cash flow models.

Note 11. Business Combinations (continued)

(b) Assets and liabilities acquired

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

		Consolidated Entity	
	Notes	**2010 $'000**	2009 $'000
Fair value of net (liabilities) / assets acquired			
Current assets			
Cash		750	1,976
Receivables		66	4,376
Prepayments		1	20
Other current assets		-	55
Non-current assets			
Plant and equipment		5	740
Other non-current assets		-	54
Intangible assets		3,007	-
Current liabilities			
Trade payables		(187)	(3,147)
Other current liabilities		(113)	(3,532)
Provisions		(32)	(243)
Non-current liabilities			
Borrowings		-	(159)
Deferred tax liabilities		-	(19)
Other non-current liabilities		(4)	(171)
Net assets		**3,493**	**(50)**
Minority interests in net assets acquired		**-**	13
Net identifiable (liabilities)/assets acquired	11(a)	**3,493**	(37)

At the dates of acquisition of the various entities, apart from the brand name, the carrying value of the assets and liabilities acquired approximated their fair value.

(c) Purchase consideration

		Consolidated Entity	
		2010	2009
Outflow of cash to acquire controlled entities, net of cash acquired	Notes	**$'000**	$'000
Cash consideration	11(a)	1,515	8,419
Cash balances acquired	11(b)	(750)	(1,976)
Outflow of cash		**765**	**6,443**

Note 12. Segment Information

(a) Identification of Reportable Segments
The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) 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 businesses is reported to the Board on a monthly basis.

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

(b) Segments
The Company has identified 2 reportable segments:

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

Advertising, Production and Media

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

Diversified Communications

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

(c) Holdings Company
Holding Company costs and revenues are those costs which are managed on a Group basis and not allocated to business segments. They include revenue 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.

(d) Accounting Policies
Segment revenues and expenses are those directly attributable to the segments and include any jointly controlled entities revenue and expenses where a reasonable basis of allocation exists.

(e) Intersegment Transfers
Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at arm's length. These transfers are eliminated on consolidation. As intersegment revenues are considered immaterial no disclosure of these is made in the Business Segments note.

STW COMMUNICATIONS GROUP LIMITED

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Note 12. Segment Information (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Advertising, Media and Production		Diversified Communications		Holding company and Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**174,251**	160,857	**131,585**	110,225	**1,400**	1,555	**307,236**	272,637
Share of net profit of jointly controlled entities	**5,744**	4,794	**3,305**	3,082	**-**	-	**9,049**	7,876
Other income	**3,088**	2,907	**396**	196	**830**	524	**4,314**	3,627
Segment revenue	**183,083**	168,558	**135,286**	113,503	**2,230**	2,079	**320,599**	284,140
Segment result (EBITDA)	**55,378**	51,567	**37,711**	32,665	**(12,667)**	(10,523)	**80,422**	73,709
Impairment of investments							**-**	(8,879)
Loss on disposal of investments							**-**	(1,065)
Segment result after one off adjustments							**80,422**	63,765
Depreciation and amortisation							**(5,871)**	(5,745)
Net interest							**(8,992)**	(11,270)
Profit before income tax							**65,559**	46,750
Income tax expense							**(16,113)**	(15,078)
Net profit							**49,446**	31,672
Net profit attributable to:								
Minority interests							**10,783**	9,892
Members of the parent entity							**38,663**	21,780

Note 13. Subsequent Events

There are no material or unusual matters or circumstances that have arisen in the interval between the end of the financial period and the date of signing of this financial report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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ANNUAL GENERAL MEETING

The annual meeting will be held as follows:

Place	**Ogilvy House** **72 Christie Street** **St Leonards NSW 2065**
Date	**10 May 2011**
Time	**9.30am**
Approximate date the annual report will be available	**31 March 2011**

AUDIT

This report is based upon accounts that are in the process of being audited.

Signed

Robert Mactier
Chairman

Sydney
10 February 2011