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ASX Release

14 February 2012

**STW ANNOUNCES FULL YEAR 2011 RESULT
6.8% UNDERLYING NPAT GROWTH
15.4% INCREASE IN FULL YEAR DIVIDEND**

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 2011.

Key features of the result include:

- Revenue¹ of \$322.7 million, up 6.1% (2010: \$304.3 million).
- Underlying Net Profit After Tax ("NPAT")² of \$41.3 million, up 6.8% (2010: \$38.7 million).
- Reported Statutory NPAT of \$40.9 million, up 5.8% (2010: \$38.7 million).
- Underlying earnings per share² of 11.5 cents (2010: 10.8 cents).
- Net debt and future earnout payments of \$106.6 million (2010: \$76.1 million).
- Extension of \$85m in debt facilities to January 2015.
- Final dividend of 5 cents per share, fully franked. Total dividend relating to the 2011 year of 8 cents per share, fully franked, up 23.1% (2010: 6.5 cents per share, fully franked). The full year dividend payout ratio is 70.0% of underlying profit.

STW Group's NPAT for the full year ended 31 December 2011 is comprised as follows:

(\$ millions)	2011	2010	Change
Advertising, Media and Production	32.1	31.7	1.5%
Diversified Marketing & Communications	24.6	23.9	2.9%
Total Operating NPAT	56.7	55.6	2.0%
STW Group Holding Company (including net interest expense)	(15.4)	(16.9)	8.6%
Underlying NPAT	41.3	38.7	6.8%
Acquisition related costs written off under new Accounting standards	0.4	-	N / M
Reported NPAT	40.9	38.7	5.8%
Underlying EPS (fully diluted)	11.5 cents	10.8 cents	
Reported EPS (fully diluted)	11.4 cents	10.8 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 the impact of needing to write off acquisition related costs under new accounting standards.

STW's Chief Executive Officer, Michael Connaghan said: "This is a solid result. Our business model has once again prevailed in challenging market conditions, and we have continued on our growth trajectory in 2011. Our revenue and profit growth reflects improved performance across all our communications disciplines and prudent control of costs at the holding company level."

"Earnings growth in 2011 has been largely organic, and we remain focused on extracting maximum value from our existing portfolio of companies. We have continued to grow revenues and gain market share and our new business pipeline remains strong."

"As advised to the market previously, STW has a three pillared strategic growth focus; to drive growth out of our leadership positions in Australia and New Zealand; to continue to grow and dominate in digital; and to selectively and carefully expand our footprint into new markets in Asia. In 2011, we have made good progress on these strategic goals."

"We made outstanding progress in consolidating our leadership position in digital capabilities across the group. In 2011 Digital revenue grew 18%, and is expected to continue to increase its contribution to Group revenue," Mike Connaghan said. "Our digital growth strategy is working and will be further accelerated in 2012".

"During the year we announced our first investments in the emerging economies of South East Asia - our first step in STW establishing a solid foundation for growth in Asia. While it is still 'early days' for STW's growth plans in Asia, the momentum gained in a short period of time has been encouraging. The priority for the next few months is to bed down these new investments, leverage synergies and growth opportunities and deliver outstanding results to our clients."

"We have also maintained a high level of investment in training, and continue to invest in new revenue streams through new business start-ups leveraging proven talent in the business. These start-ups while adding revenue to the Group in the short term, are poised to start delivering solid profits in 2012. It is vital we continue to invest in incubating great talent with new ideas if we are to continue to shape and lead our industry", Mike Connaghan said.

2012 Outlook

"While the economic outlook remains uncertain, we remain confident that in the year ahead we can continue to drive our growth strategy successfully. There is real momentum across our business and we begin the year with confidence," Mike Connaghan said.

"Despite the state of the macro economy, we are trading strongly and our revenues are growing. Our balance sheet is strong and we continue to explore expansion opportunities in opening new revenue streams and new markets."

"At this early stage of the year, we are targeting underlying NPAT growth of mid single digits in percentage terms for the full year ended 31 December 2012. This guidance is on the basis of being pre new acquisitions, profit on disposal and the economy as we see it. 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 2011, STW's cash and gross debt balances were \$27.1 million (31 December 2010: \$43.8 million) and \$111.9 million (31 December 2010: \$77.3 million) respectively.

Lukas Aviani, STW's Chief Financial Officer said: "As anticipated 2011 has seen a significant increase in the settlement of earnout liabilities along with payments for new acquisitions leading to a cash outflow of \$42.1 million. This, coupled with a winding back of the Group's working capital position, sees STW's "net drawn debt" position increase to \$84.8 million at 31 December 2011 (31 December 2010: \$33.5 million). Despite the increase in net debt, STW's balance sheet and capital position remain extremely robust."

"STW has total estimated earnout liabilities on balance sheet of \$21.9 million as at 31 December 2011 (31 December 2010: \$42.6 million). We remain comfortable with our capacity to service our remaining earnout liabilities given their significantly reduced quantum and payment caps in place. Earnout liabilities will be funded through a strong balance sheet, existing debt facilities and free cashflow."

"STW has access to debt facilities totaling \$173.5 million. We have exercised an option to extend half of our core debt facilities for a further 12 months subject to customary documentation. This pushes the maturity date for 50% of our core facility to January 2015."

"STW implemented a highly EPS accretive share buyback program during 2011. During the year, STW acquired 1,512,613 shares at an average price of \$0.85 per share. It is anticipated that the share buyback program will continue in 2012, subject to market and trading conditions."

Dividend

The Directors of STW Communications Group declared a fully franked final dividend of 5.0 cents per share bringing the total 2011 dividend to 8.0 cents per share, an increase of 23.1%. The full year dividend represents a payout ratio of 70.0% of underlying profit. The increase in absolute dividend and dividend payout ratio is in line with STW's target payout ratio of between 60% to 70% of underlying profit.

The final dividend will be paid on 20 April 2012 to shareholders registered at 6 April 2012.

Results Presentation

The STW Group's full year 2011 results presentation will take place at a public briefing at the Adelaide Room, Sofitel Wentworth Sydney, Level 4, 61-101 Phillip Street, Sydney on Tuesday 14th February 2012 at 9:00 am AEST. The presentation will also be broadcast live on Boardroom Radio.

For further information contact:

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**ASX APPENDIX 4E
PRELIMINARY FINAL REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2011

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

84 001 657 370

Year ended ('current period')

31 December 2011

Year ended ('previous period')

31 December 2010

Results for announcement to the market

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

in FAS 000's (unless otherwise noted)

Revenues from ordinary activities	up	0.96%	to	\$312,969
Profit from ordinary activities after tax attributable to members	up	5.76%	to	\$40,889
Net profit for the year attributable to members	up	5.76%	to	\$40,889
Earnings per share – Basic	up	5.83%	to	11.44¢
Earnings per share – Diluted	up	5.64%	to	11.42¢

Dividends	Amount per security	Franked amount per security at 30%
<u>Current Year:</u> Final dividend declared subsequent to 31 December 2011	5.0 ¢	5.0 ¢
Interim dividend declared (paid 9 September 2011)	3.0 ¢	3.0 ¢
<u>Previous Year:</u> Final dividend declared subsequent to 31 December 2010 (paid 22 April 2011)	4.2 ¢	4.2¢
Interim dividend declared (paid 10 September 2010)	2.3 ¢	2.3 ¢
Record date for determining entitlements to the dividend	6 April 2012	
Date dividend is payable	20 April 2012	

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 2011:

Refer to the Press Release for commentary

STW COMMUNICATIONS GROUP LIMITED

Consolidated Income Statement

For the financial year ended 31 December 2011

	Notes	Consolidated Entity 2011	2010
		\$'000	\$'000
Continuing operations			
Revenue	2(a)	312,969	309,985
Other income	2(b)	3,395	4,314
Share of net profit of jointly controlled entities accounted for using the equity method	2(c)	10,144	9,049
		326,508	323,348
Employee benefits expense		(190,714)	(187,470)
Occupancy costs		(16,088)	(15,679)
Depreciation expense	3(a)	(5,807)	(5,045)
Amortisation expense	3(a)	(738)	(826)
Travel, training and other personal costs		(9,710)	(8,684)
Research, new business and other commercial costs		(5,972)	(6,229)
Office and administration costs		(13,145)	(12,463)
Compliance, audit and listing costs		(7,529)	(9,652)
Finance costs	3(b)	(11,131)	(11,741)
Profit before income tax		65,674	65,559
Income tax expense	4	(14,911)	(16,113)
Net profit		50,763	49,446
Net profit attributable to:			
Non-controlling interests		9,874	10,783
Members of the parent entity		40,889	38,663
		Cents	Cents
Earnings per share			
Basic earnings per share	9	11.44	10.81
Diluted earnings per share	9	11.42	10.81

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 2011

	Notes	Consolidated Entity 2011 \$'000	2010 \$'000
Net Profit		50,763	49,446
Other comprehensive income			
Exchange gain/(loss) arising on translation of foreign operations		448	(4,176)
(Loss)/gain on cash flow hedges taken to equity		(1,457)	1,641
Income tax benefit/(expense) relating to components of other comprehensive income		437	(492)
Other comprehensive income for the year (net of tax)		(572)	(3,027)
Total comprehensive income for the year		50,191	46,419
Total comprehensive income attributable to:			
Non-controlling interests		10,158	10,152
Members of the parent entity		40,033	36,267

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 2011

	Notes	Consolidated Entity	
		2011	2010
		\$'000	\$'000
Current assets			
Cash and cash equivalents		27,141	43,769
Trade and other receivables		163,087	153,656
Current tax assets	4	-	1,123
Other current assets		3,354	2,143
Total current assets		193,582	200,691
Non-current assets			
Other receivables		12,556	12,853
Investments accounted for using the equity method		97,033	100,326
Other financial assets		395	228
Plant and equipment		20,826	19,906
Deferred tax assets		9,990	8,851
Intangible assets		409,912	382,847
Other non-current assets		441	2,687
Total non-current assets		551,153	527,698
Total Assets		744,735	728,389
Current liabilities			
Trade and other payables		180,940	216,066
Borrowings		2,740	3,463
Current tax liabilities	4	12,437	17,492
Provisions		6,066	6,586
Total current liabilities		202,183	243,607
Non-current liabilities			
Other payables		28,173	17,423
Borrowings		109,133	73,800
Deferred income tax liabilities		6,498	6,718
Provisions		2,444	2,402
Total non-current liabilities		146,248	100,343
Total liabilities		348,431	343,950
Net assets		396,304	384,439
Equity			
Issued capital	7	274,895	276,186
Reserves		9,269	9,378
Retained profits		76,801	62,174
Equity attributable to members of the parent		360,965	347,738
Non-controlling interests		35,339	36,701
Total equity		396,304	384,439
		Consolidated Entity	
		2011	2010
Net Tangible Asset Backing			
Net tangible asset backing per ordinary share		(3.49)¢	0.45¢

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 2011

Notes

Attributable to members of the parent

		Issued capital \$'000	Equity settled share- based payment reserve \$'000	Brand name revaluation reserve \$'000	Interest rate hedge reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
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
Non-controlling interests on acquisition of controlled entities		-	-	-	-	-	-	-	9	9
Issue of Executive share plan shares	7(d)	86	(86)	-	-	-	-	-	-	-
Cost of share based payments		-	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

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity For the financial year ended 31 December 2011

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	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2011		276,186	525	16,275	(186)	(7,236)	62,174	347,738	36,701	384,439
Net profit		-	-	-	-	-	40,889	40,889	9,874	50,763
Other comprehensive income		-	-	-	(1,020)	164	-	(856)	284	(572)
Total comprehensive income		-	-	-	(1,020)	164	40,889	40,033	10,158	50,191
Non-controlling interests on acquisition and disposal of controlled entities		-	-	-	-	-	-	-	(2,651)	(2,651)
Share buybacks	7(a)	(1,291)	-	-	-	-	-	(1,291)	-	(1,291)
Cost of share based payments		-	747	-	-	-	-	747	-	747
Equity dividends provided for or paid	5	-	-	-	-	-	(26,262)	(26,262)	(8,869)	(35,131)
At 31 December 2011		274,895	1,272	16,275	(1,206)	(7,072)	76,801	360,965	35,339	396,304

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 2011

	Notes	Consolidated Entity	
		2011	2010
		\$'000	\$'000
Cash Flows from operating activities			
Receipts from customers		957,129	946,849
Payments to suppliers and employees		(901,344)	(851,311)
Net cash flows from operations		55,785	95,538
Interest received		1,587	2,701
Interest and other costs of finance paid		(9,818)	(9,151)
Dividend and trust distributions received from jointly controlled entities		5,433	6,880
Income tax paid		(20,394)	(6,324)
Net cash inflow from operating activities	10(a)	32,593	89,644
Cash Flow from investing activities			
Payments for purchase of controlled entities, net of cash acquired	11(c)	(2,462)	(765)
Payments for purchase of jointly controlled entities		(693)	(3,912)
Proceeds from disposal of jointly controlled entities		-	510
Payments for purchase of controlled entities		(41,068)	(17,065)
Payments for purchase of plant and equipment		(6,546)	(5,254)
Loans from/(to) associates and jointly controlled entities (net)		8,328	(75)
Net cash outflow from investing activities		(42,441)	(26,561)
Net cash (used in)/provided by operating and investing activities		(9,848)	63,083
Cash Flow from financing activities			
Proceeds from borrowings		228,624	265,550
Repayment of borrowings		(194,000)	(299,452)
Repayment of finance lease liability		(13)	(2,414)
Purchase of shares	7	(1,291)	-
Dividends paid to non-controlling interests		(13,869)	(9,104)
Equity holder dividends paid		(26,262)	(15,626)
Net cash outflow from financing activities		(6,811)	(61,046)
Net (decrease)/increase in cash held		(16,659)	2,037
Effects of exchange rate changes on cash and cash equivalents		31	(302)
Cash at the beginning of the year		43,769	42,034
Cash at the end of the year		27,141	43,769

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 2011

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 2010 and any public announcements made by STW Communications Group Limited during, and subsequent to, the year ended 31 December 2011 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 2011

Note 2. Revenues

	Consolidated Entity	
	2011	2010
	\$'000	\$'000
(a.) Revenues		
Services rendered	310,734	307,236
Interest income		
Associated entities and joint ventures	112	324
Other entities	2,123	2,425
Total interest income	2,235	2,749
Total revenues from ordinary activities	312,969	309,985
(b.) Other income		
Other income	3,395	4,314
Total other income	3,395	4,314
(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	10,144	9,049

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 3. Profit from Ordinary Activities

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

		Consolidated Entity	
		2011	2010
	Notes	\$'000	\$'000
(a.) Depreciation and amortisation expenses			
Depreciation and amortisation of non-current assets:			
Plant and equipment		5,807	5,045
Total depreciation of non-current assets		5,807	5,045
Amortisation of non-current assets:			
Intangible assets		738	826
Total amortisation of non-current assets		738	826
Total depreciation and amortisation expense		6,545	5,871
(b.) Finance costs			
Interest expense – other parties		9,819	8,977
Interest expense – deferred consideration payable		1,312	2,590
Finance lease charges		-	174
Total finance costs		11,131	11,741

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 4. Income Tax

	Consolidated Entity	
	2011	2010
	\$'000	\$'000
Major components of income tax are:		
Income Statement		
Current income tax		
Current income tax charge	16,104	17,119
Adjustments in respect of current income tax of previous years	(270)	109
Deferred income tax relating to origination and reversal of temporary differences	(923)	(1,115)
Income tax expense reported in income statement	14,911	16,113
Tax asset and liability included in the financial statements:		
Current tax assets	-	1,123
Current tax liabilities	(12,437)	(17,492)
	(12,437)	(16,369)
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	65,674	65,559
At the statutory income tax rate of 30% (2010: 30%)	19,702	19,668
Adjustments in respect of current income tax of previous years	(270)	109
Tax adjustments resulting from equity accounting	(3,043)	(2,715)
Other items not allowable/(allowable) for income tax purposes	(1,610)	(1,114)
Amortisation of intangible assets	132	165
Income tax expense reported in Income Statement	14,911	16,113

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 5. Dividends

Date proposed final dividend payable.

20 April 2012

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

6 April 2012

Dividend Reinvestment Plan

A dividend reinvestment plan will not be in operation.

	Consolidated Entity	
	2011	2010
	\$'000	\$'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2010: 4.2 cents per share (2009: 2.0 cents per share)	15,301	7,151
Dividends paid pursuant to the executive share plan ("ESP")	32	249
Interim franked dividend for 2011: 3.0 cents per share (2010: 2.3 cents per share)	10,929	8,226
	26,262	15,626
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 5.0 cents (2010: 4.2 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend expected to be paid on 20 April 2012 (2010: 22 April 2011), out of retained profits at the end of the financial year, but not recognised as a liability, is:	18,140	15,022
Franked Dividends		
The franked portions of dividends recommended after 31 December 2011 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 2011.		
Franking credits available for subsequent financial years based upon a tax rate of 30%	19,345	20,270

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 6. Investments Accounted For Using the Equity Method

Jointly Controlled Entities

Name	Principal Activity	Effective Ownership Interest	
		2011	2010
Bohemia Communications Pty Limited	Media planning	37.5%	-
Campaigns & Communications Group Pty Limited	Campaign management	20%	20%
Catalyst Advertising Pty Limited	Advertising	50%	50%
Corporate Film Company Pty Limited	Production	-(*)	50%
Enigma Communication Pty Limited	Advertising	20%	-
Evocatif Pty Limited	Communications	49%	49%
Feedback ASAP Pty Limited	Mystery shopping	20.4%	-
Ewa Heidelberg Pty Limited (formerly i2i Communications Pty Limited)	Communications	49%	49%
Houston Group Pty Limited	Branding and design	40%	-
Ikon3 LLC	Media Planning	20%	-
Ikon Perth Pty Limited	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%
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%
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%
TCO Pty Limited	Branded content production	40%	40%
The Origin Agency Pty Limited	Public relations	49%	-
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.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

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

		Consolidated Entity	
		2011	2010
	Notes	\$'000	\$'000
Investments in associates and jointly controlled entities:			
JWT Group	(i)	2,099	2,646
M Media Group Pty Limited		3,338	2,641
Ogilvy Public Relations Worldwide Pty Limited		1,500	1,101
Other contributions	(ii)	3,207	2,661
Equity share of jointly controlled entities profit		10,144	9,049

(i) The JWT Group comprises Marketing Communications Holdings Australia Pty Limited, Ewa Heidelberg Pty Limited (formerly i2i Communications Pty Limited) 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

	2011 Number of Shares	2010 Number of Shares	2011 \$'000	2010 \$'000
Ordinary shares issued and fully paid – parent entity	362,798,351	364,310,964	296,144	297,435
Shares under the ESP	(6,652,333)	(6,652,333)	(21,249)	(21,249)
Total issued capital - consolidated	356,146,018	357,658,631	274,895	276,186

(a) Movement in ordinary shares on issue

	2011 Number of Shares	2011 \$'000	2010 Number of Shares	2010 \$'000
At 1 January	364,310,964	297,435	364,310,964	297,435
Share buy-back	(1,512,613)	(1,291)	-	-
At 31 December for parent entity	362,798,351	296,144	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) Share buy-backs

During the year ended 31 December 2011, a total of 1,512,613 ordinary shares were repurchased by the Company on-market pursuant to its share buy-back program. These share purchases were undertaken at an average price of \$0.85 per share. No share buy-backs occurred during the year ended 31 December 2010.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

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

	2011 Number of Shares	2011 \$'000	2010 Number of Shares	2010 \$'000
At 1 January	6,652,333	21,249	6,752,333	21,335
Shares allocated to executives	-	-	(100,000)	(86)
At 31 December for parent entity	6,652,333	21,249	6,652,333	21,249

Note 8. Control Gained / Lost over Entities

Name	Transaction Date	Effective Ownership Interest as at 31 December 2011 %
Acquisitions		
Barton Deakin Pty Limited	1 January 2011	66.67%
New Dialogue Pty Limited	1 January 2011	100%
Quality National Team Pty Limited	1 January 2011	51%
Rolfe Limited	31 January 2011	84%
Straterjee Pty Limited	1 August 2011	100%
Disposals		
Human Communications Pty Limited	1 July 2011	15%

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

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	
	2011	2010
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the Company from continuing operations for basic earnings per share	40,889	38,663
Effect of dilution:		
Dilutive adjustments to net profit	-	-
Net profit attributable to ordinary equity holders of the Company for diluted earnings per share	40,889	38,663
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic earnings per share	357,432,194	357,591,782
Impact of Executive share plan shares where EPS growth performance targets have been met	467,500	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted EPS	357,899,694	357,591,782
	Cents	Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		
Basic earnings per share	11.44	10.81
Diluted earnings per share	11.42	10.81

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 10. Notes to the Cash Flow Statement

	Consolidated Entity	
	2011	2010
	\$'000	\$'000
Reconciliation from net profit to the net cash flows from/(used in) operating activities		
Net profit	50,763	49,446
Adjustments		
Share of jointly controlled entities' net profits, net of dividends and trust distributions received	(4,726)	(2,188)
Depreciation and amortisation of non-current assets	6,545	5,871
ESP expense non-cash	747	611
Interest expense on deferred consideration payable	1,312	2,590
Net loss on disposal of non-current assets	112	374
Gain on acquisition of non-current assets	-	(838)
Fair value adjustment to non-current liability	(610)	-
Changes in assets and liabilities		
Increase in receivables	(7,997)	(29,978)
Decrease/(increase) in other receivables	2,246	(1,906)
Increase in deferred tax assets	(1,094)	(446)
(Decrease)/increase in trade and other payables	(8,479)	57,484
Decrease in provisions	(3,184)	(1,230)
(Decrease)/increase in current income tax payable	(3,738)	12,763
Increase/(decrease) in other liabilities	696	(2,909)
Net cash flows from operating activities	32,593	89,644

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 11. Business Combinations

(a) Summary of acquisitions and disposals

During the year ended 31 December 2011:

On 31 January 2011, The Brand Agency Unit Trust ("The Brand Agency") acquired 100% of Rolfe Limited ("Rolfe"). STW Media Services ("SMS") holds an 84% share in The Brand Agency. Rolfe is a full service advertising agency which operates out of New Zealand.

On 1 July 2011, SMS acquired an additional 4% of The Brand Agency thereby increasing SMS's ownership to 84%. The Brand Agency is a full service advertising agency operating in Perth, Melbourne and Auckland.

On 1 January 2011, STW Media Pty Limited ("STW Media") acquired an additional 51% of SBS Asia Pacific Pty Limited ("SBS") thereby increasing STW Media's ownership to 100%. SBS is a holding company which owns 100% of New Dialogue Pty Limited (trading as "Tongue"). Tongue is a full service advertising agency which operates out of Sydney.

On 1 January 2011, SMS acquired an additional 4.9% of Subnine Pty Limited ("Subnine") thereby increasing SMS's ownership to 100%. Subnine is a sports sponsorship company which operates out of Sydney.

On 1 January 2011, Singleton, Ogilvy and Mather (Holdings) Pty Limited ("SOM Holdings") acquired a 100% interest in Barton Deakin Pty Limited ("Barton Deakin"). STW Communications Group Limited holds a 66.67% share in SOM Holdings. Barton Deakin is a PR and Government relations agency which operates out of Sydney and Melbourne.

On 1 July 2011, SMS disposed of 85% out of its 100% interest in Human Communications Pty Limited.

On 1 January 2011, STW Smollan Field Marketing Pty Limited ("Smollan") acquired 100% of Quality National Team Pty Limited ("QNT"). SMS holds a 51% share in Smollan. QNT is a field marketing agency which operates out of Brisbane.

On 1 January 2011, Singleton, Ogilvy and Mather (Holdings) Pty Limited ("SOM Holdings") acquired an additional 15% interest in Ogilvy New Zealand Limited ("Ogilvy NZ") taking its ownership interest to 85%. STW Communications Group Limited holds a 66.67% share in SOM Holdings. Ogilvy NZ is a full service advertising agency which operates out of Auckland and Wellington.

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.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

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:

	Notes	Consolidated Entity	
		2011	2010
		\$'000	\$'000
Purchase consideration:			
Deferred/contingent consideration		2,897	869
Acquisition cost in prior periods		8,712	-
Cash paid in the current period	11(c)	3,350	1,515
Fair value – non-controlling interests		-	1,397
Total purchase consideration		14,959	3,781
Fair value of net identifiable assets acquired	11(b)	625	3,493
Goodwill acquired		14,334	288

The acquired businesses contributed revenues of \$8,759,000 and a net profit of \$681,000 to the Group for the period from 1 January 2011 to 31 December 2011. If control over these entities had all been achieved on 1 January 2011, the profit for the Group would have been \$17,000 higher and revenue from continuing operations would have been \$485,000 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.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 11. Business Combinations (continued)

(b) Assets and liabilities acquired

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

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
Fair value of net (liabilities) / assets acquired			
Current assets			
Cash		889	750
Receivables		2,758	66
Prepayments		65	1
Other current assets		346	-
Non-current assets			
Plant and equipment		455	5
Other non-current assets		90	-
Intangible assets		-	3,007
Current liabilities			
Trade payables		(1,683)	(187)
Other current liabilities		(1,046)	(113)
Provisions		(80)	(32)
Non-current liabilities			
Borrowings		-	-
Deferred tax liabilities		-	-
Other non-current liabilities		(1,254)	(4)
Net assets		540	3,493
Non-controlling interests in net assets acquired		85	-
Net identifiable assets acquired	11(a)	625	3,493

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	
	Notes	2011 \$'000	2010 \$'000
Outflow of cash to acquire controlled entities, net of cash acquired			
Cash consideration	11(a)	3,350	1,515
Cash balances acquired	11(b)	(888)	(750)
Outflow of cash		2,462	765

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

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 businesses operate predominantly in Australia.

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) Holding 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. The accounting policies of the reportable segment are the same as the Group's accounting policies.

(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

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue	168,738	174,251	141,832	131,585	164	1,400	310,734	307,236
Share of net profit of jointly controlled entities	6,380	5,744	3,764	3,305	-	-	10,144	9,049
Other income	2,233	3,088	516	396	646	830	3,395	4,314
Segment revenue	177,351	183,083	146,112	135,286	810	2,230	324,273	320,599
Segment result (EBITDA)	54,110	55,378	38,834	37,711	(11,829)	(12,667)	81,115	80,422
Depreciation and amortisation							(6,545)	(5,871)
Net interest							(8,896)	(8,992)
Profit before income tax							65,674	65,559
Income tax expense							(14,911)	(16,113)
Net profit							50,763	49,446
Net profit attributable to:								
Non-controlling interests							9,874	10,783
Members of the parent entity							40,889	38,663

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2011

Note 13. Subsequent Events

STW Media Services Pty Limited (“SMS”), disposed of 33.33% of its equity interest in DT Digital Pty Limited (“DT Digital”). SMS will retain a 66.67% equity interest in DT Digital. The transaction will crystalize a gain on disposal that will be recognised in the Group’s income statement for the year ended 31 December 2012.

Apart from this transaction, there are no other 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.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2011

ANNUAL GENERAL MEETING

The annual meeting will be held as follows:

Place	Ogilvy House 72 Christie Street St Leonards NSW 2065
Date	18 May 2012
Time	10.00am
Approximate date the annual report will be available	31 March 2012

AUDIT

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

Signed



Robert Mactier
Chairman

Sydney
14 February 2012