



**ASX APPENDIX 4E
PRELIMINARY FINAL REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009	31 December 2008
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Results for announcement to the market

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

Revenues from ordinary activities	down 9%		to	\$275,941
Profit from ordinary activities after tax attributable to members	up 28%		to	\$21,780
Net profit for the year attributable to members	up 28%		to	\$21,780
Earnings per share – Basic	down 18%		to	7.32¢
Earnings per share – Diluted	down 17%		to	7.32¢
Dividends				
	Amount per security		Franked amount per security at 30%	
<i>Current Year:</i>				
Final dividend declared subsequent to 31 December 2009	2.0 ¢			2.0¢
Interim dividend declared (paid 30 September 2009)	1.5 ¢			1.5 ¢
<i>Previous Year:</i>				
Final dividend declared (paid 14 May 2009)	3.2 ¢			3.2 ¢
Interim dividend declared (paid 30 September 2008)	4.8 ¢			4.8 ¢
Record date for determining entitlements to the dividend				28 April 2010
Date dividend is payable				12 May 2010
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 2009				
Refer to the Press Release for commentary				

STW COMMUNICATIONS GROUP LIMITED
Consolidated Income Statement
For the financial year ended 31 December 2009

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Revenue	2(a)	275,941	303,424
Other income	2(b)	3,627	3,939
Share of net profit of associates and jointly controlled entities accounted for using the equity method	2(c)	7,876	9,479
		287,444	316,842
Staff costs		(166,435)	(178,164)
Property rent and related costs		(13,906)	(20,199)
Depreciation and amortisation expense	3(a)	(5,744)	(3,947)
Impairment costs	3(c)	(8,879)	(15,000)
Travel, training and entertainment costs		(7,103)	(9,441)
Commercial costs		(4,693)	(5,215)
Office costs		(9,912)	(11,701)
Administration costs		(9,258)	(11,540)
Finance costs	3(b)	(14,764)	(20,426)
Profit from continuing operations before income tax		46,750	41,209
Income tax expense	4	(15,078)	(12,885)
Net profit for the period		31,672	28,324
Net profit attributable to:			
Minority interests		9,892	11,294
Members of the parent		21,780	17,030
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the members of the parent			
Basic earnings per share	9	7.32¢	8.89¢
Diluted earnings per share	9	7.32¢	8.80¢

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 2009

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Profit after tax from continuing operations for the year		31,672	28,324
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(1,940)	(1,966)
Gain/ (loss) on cash flow hedges taken to equity		2,537	(4,444)
Income tax relating to components of other comprehensive income		(761)	1,333
Other comprehensive income for the period (net of tax)		(164)	(5,077)
Total comprehensive income for the period		31,508	23,247
Total comprehensive income attributable to:			
Members of the parent		22,007	12,571
Minority interests		9,501	10,676
		31,508	23,247

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 2009

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Current Assets			
Cash and cash equivalents		42,034	42,981
Trade and other receivables		121,475	135,764
Current tax assets	4	5,522	3,688
Other current assets		4,282	4,620
Total current assets		173,313	187,053
Non-Current Assets			
Other receivables		12,775	12,700
Investments accounted for using the equity method		98,550	110,078
Other financial assets		225	157
Property, plant and equipment		20,342	20,612
Deferred tax assets		8,406	9,136
Intangible assets		381,637	341,318
Other non-current assets		781	1,839
Total non-current assets		522,716	495,840
Total Assets		696,029	682,893
Current Liabilities			
Trade and other payables		141,928	124,998
Interest bearing liabilities		530	541
Current tax liabilities	4	9,015	10,953
Provisions		7,998	8,432
Total current liabilities		159,471	144,924
Non-Current Liabilities			
Other payables		46,641	43,667
Interest bearing liabilities		113,048	205,678
Deferred income tax liabilities		6,896	6,793
Provisions		2,220	1,144
Total non-current liabilities		168,805	257,282
Total Liabilities		328,276	402,206
Net Assets		367,753	280,687
Equity			
Contributed equity	7	276,100	197,091
Reserves		11,249	16,810
Retained profits		39,137	29,882
Equity attributable to members of the parent		326,486	243,783
Minority interests		41,267	36,904
Total Equity		367,753	280,687
		Consolidated Entity	
		2009	2008
Net Tangible Asset Backing			
Net tangible asset backing per ordinary share		(15¢)	(51¢)

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 2009

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 2008	201,400	5,840	16,275	-	(176)	36,690	260,029	33,901	293,930
Net profit for the year	-	-	-	-	-	17,030	17,030	11,294	28,324
Other comprehensive income for the year	-	-	-	(3,111)	(1,966)	-	(5,077)	-	(5,077)
Total comprehensive income for the year	-	-	-	(3,111)	(1,966)	17,030	11,953	11,294	23,247
Movement in share based payment reserve	-	618	-	-	-	-	618	-	618
Minority interests on acquisition of controlled entities	-	-	-	-	-	-	-	(151)	(151)
Issue of Executive share plan shares	7(b) 670	(670)	-	-	-	-	-	-	-
Share buy back	7(a) (4,979)	-	-	-	-	-	(4,979)	-	(4,979)
Equity dividends provided or paid for	5 -	-	-	-	-	(23,838)	(23,838)	(8,140)	(31,978)
At 31 December 2008	197,091	5,788	16,275	(3,111)	(2,142)	29,882	243,783	36,904	280,687

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity For the financial year ended 31 December 2009

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 for the year	-	-	-	-	-	21,780	21,780	9,892	31,672
Other comprehensive income for the year	-	-	-	1,776	(1,549)	-	227	(391)	(164)
Total comprehensive income for the year	-	-	-	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	73,221	-	-	-	-	-	73,221	-	73,221
Issue of Executive share plan shares	5,788	(5,788)	-	-	-	-	-	-	-
Share buy back	-	-	-	-	-	-	-	-	-
Equity dividends provided or paid for	-	-	-	-	-	(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 Cash Flow Statement
For the financial year ended 31 December 2009

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		891,973	870,679
Payments to suppliers and employees (inclusive of goods and services tax)		(793,228)	(812,305)
Interest received		3,304	4,703
Interest and other costs of finance paid		(12,100)	(16,721)
Dividend and trust distributions received from associates and jointly controlled entities		7,310	7,666
Income tax paid		(18,037)	(16,304)
Net cash inflow from operating activities	10(a)	79,222	37,718
Cash Flow from Investing Activities			
Payments for purchase of controlled entities, net of cash acquired	11(c)	(6,443)	(6,159)
Payments for purchase of associates and jointly controlled entities		(424)	(8,181)
Earnout payments on controlled entities		(22,237)	(37,277)
Payments for purchase of plant and equipment		(4,207)	(10,320)
Proceeds from sale of investments		-	3,001
Loans from/ (to) associates and jointly controlled entities (net)		(6,275)	3,271
Net cash outflow from investing activities		(39,586)	(55,665)
Net cash provided by operating and investing activities		39,636	(17,947)
Cash Flow from Financing Activities			
Proceeds from interest-bearing liabilities		76,071	103,290
Repayment of interest-bearing liabilities		(168,525)	(70,600)
Repayment of finance lease liability		(347)	(27)
Proceeds from issue of shares	7	73,221	-
Share buyback	7	-	(4,979)
Dividends paid to minority interests		(8,300)	(8,140)
Dividends paid to company's shareholders		(12,525)	(23,838)
Net cash provided by financing activities		(40,405)	(4,294)
Net decrease in cash held		(769)	(22,241)
Effects of exchange rate changes on cash and cash equivalents		(178)	(222)
Cash and cash equivalents at the beginning of the financial year		42,981	65,444
Cash and cash equivalents at the end of the financial year		42,034	42,981

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 2009

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 2008 and any public announcements made by STW Communications Group Limited during, and subsequent to, the year ended 31 December 2009 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 2009

Note 2. Revenues

	Consolidated Entity	
	2009	2008
	\$'000	\$'000
(a.) Revenues from ordinary activities		
Services rendered	272,637	298,732
Interest		
Associated entities and joint ventures	426	477
Other entities	2,878	4,215
	3,304	4,692
Total revenues from ordinary activities	275,941	303,424
(b.) Other income		
Other income	3,627	3,939
Total other income	3,627	3,939
(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	7,876	9,479

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

Note 3. Profit from Ordinary Activities

Profit from ordinary activities before income tax expense includes the following specific net gains/ (losses) and expenses:

		Consolidated Entity	
		2009	2008
	Notes	\$'000	\$'000
(a.) Depreciation and amortisation expenses			
Depreciation of non-current assets:			
Property, plant and equipment		4,974	3,551
Amortisation of non-current assets:			
Intangible assets		770	396
		5,744	3,947
(b.) Finance costs			
Interest expense – other parties		12,100	16,207
Interest expense on deferred consideration		2,474	4,216
Finance lease		190	3
		14,764	20,426
(c.) Impairment and losses on disposal			
Loss on disposal of investment (net)		1,065	856
Loss on disposal of fixed assets		14	363
Impairment costs	3(d)	8,879	15,000
		9,958	16,219
(d.) Individually Significant Items			
Establishment costs			
Property incentives provided and provision for surplus lease space		-	5,810
Other costs			
Write off of fixed assets and leasehold improvements relating to property move		-	2,901
Impairment costs			
Impairment of goodwill in controlled entities		3,041	-
Impairment of investments in associates and jointly controlled entities		5,838	15,000
		8,879	15,000

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

Note 4. Income Tax

	Consolidated Entity	
	2009	2008
	\$'000	\$'000
Income Statement		
<i>Current income tax</i>		
Current income tax charge	14,022	16,207
Adjustments in respect of current income tax of previous years	242	(126)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	814	(3,196)
Income tax expense reported in income statement	15,078	12,885
Balance Sheet		
<i>Current income tax</i>		
Income tax payable / (receivable) attributable to:		
Parent entity	(8,109)	(9,579)
Entities in the tax-consolidated group	2,754	6,179
Entities outside the tax-consolidated group	8,848	10,665
Current tax liability (net of current tax receivable)	3,493	7,265
Included in the financial statements as:		
Current tax assets	(5,522)	(3,688)
Current tax liabilities	9,015	10,953
	3,493	7,265
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	46,750	41,209
At the statutory income tax rate of 30% (2008: 30%)	14,025	12,363
Adjustments in respect of current income tax of previous years	242	(126)
Equity share of associates and jointly controlled entities' net profit (not tax effected due to losses)	(2,363)	(2,844)
Other income not assessable and expenditure not allowable for income tax purposes	2,970	3,374
Intangibles amortisation	204	118
Income tax expense	15,078	12,885

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2009

Note 5. Dividends

Date proposed final dividend payable.

12 May 2010

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.

28 April 2010

Dividend Reinvestment Plan

A dividend reinvestment plan will not be in operation.

	Consolidated Entity	
	2009	2008
	\$'000	\$'000
Dividends Provided for or Paid		
Dividends provided for or paid during the financial year		
Final franked dividend for 2008: 3.2 cents per share (2007: 7.2 cents per share)	6,158	13,715
Dividends paid pursuant to the executive share plan ("ESP")	1,005	980
Interim franked dividend for 2009: 1.5 cents per share (2008: 4.8 cents per share)	5,362	9,143
	12,525	23,838
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 2.0 cents (2008: 3.2 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend expected to be paid on 12 May 2010 (2008: 14 May 2009), out of retained profits at the end of the financial year, but not recognised as a liability, is:	7,286	6,377
Franked Dividends		
Franking credits available for subsequent financial years based upon a tax rate of 30%	6,140	3,149

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2009

Note 6. Investments Accounted For Using the Equity Method

Associates and Jointly Controlled Entities

Name	Principal Activity	Ownership Interest	
		2009	2008
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries	Public Relations	49%	49%
Marketing Communications Holdings Australia Pty Limited and its subsidiaries	Advertising & Communications	49%	49%
i2i Communications Pty Limited	Communications	49%	49%
J. Walter Thompson International Limited (New Zealand)	Advertising	49%	49%
SAIL Australasia Pty Limited	Sports Management	45%	45%
Zoo Communications Pty Limited	Communications	- (**)	50%
Massive Media Pty Limited and its subsidiaries	Web Site Design	49%	49%
International Quarterback Pty Limited and its subsidiaries	Sports Marketing	- (***)	44.1%
Torque Australia Pty Limited	Data Management	40%	40%
Evocatif Pty Limited	Communications	49%	49%
Corporate Film Company Pty Limited	Production	50%	50%
MMedia Group Pty Limited and its subsidiaries	Media Buying	50%	50%
Pophouse Pty Limited	Research	50%	50%
International Events and Speakers Pty Limited	Events Organisation	50%	50%
I.M. Advertising Pty Limited	Advertising	- (*)	49%
Straterjee Pty Limited	Consulting	20%	20%
Adcast Unit Trust	Automated Marketing Services	40%	40%
TCO Pty Limited	Branded content production	40%	40%
White Digital Pty Limited	Digital marketing and website design	49%	49%
Catalyst Advertising Pty Limited	Advertising	49%	49%
iCRE8 Pty Limited	Promotion	- (*)	37.5%
Jamshop Pty Limited	Advertising	40%	40%
Junior Advertising Pty Limited	Advertising	- (*)	25%
New Dialogue Pty Limited	Media Planning	49%	49%
Paragon Design Group Pty Limited	Advertising	49%	49%
Spinach Advertising Pty Limited	Advertising	20%	20%
Campaigns & Communications Group Pty Limited	Advertising	20%	-
TaguchiMarketing Pty Limited	E-mail Marketing	20%	-

(*) 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 interests in these entities during the financial year.

(***) The Company swapped its 44.1% interest in this entity for an 84.9% interest in Subnine Pty Limited.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2009

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

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Investments in associates and jointly controlled entities:			
J. Walter Thompson Group	(i)	2,624	2,349
MMedia Group Pty Limited		1,909	2,729
Ogilvy Public Relations Worldwide Pty Limited		542	949
Other contributions	(ii)	2,801	3,452
Equity share of associates and jointly controlled entities profit		7,876	9,479

(i) The J. Walter Thompson 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

	Consolidated Entity	
	2009	2008
	Number of Shares	Number of Shares
Issued and paid-up capital		
Fully paid ordinary shares	357,558,631	190,487,152

Movements in Ordinary Share Capital

Date	Details	Number of shares	Issue Price \$	Value \$'000
Ordinary Share Capital				
1 Jan 08	Opening balance	192,867,134		201,400
	Share buy back (a)	(2,599,982)	(a)	(4,979)
	Shares vested under the ESP (b)	220,000	(b)	670
31 Dec 08	Ending balance for consolidated entity	190,487,152		197,091
	Rights Issue (c)	165,030,479	(c)	73,221
	Shares vested under the ESP (b)	2,041,000	(b)	5,788
31 Dec 09	Ending balance for consolidated entity	357,558,631		276,100

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

Note 7. Contributed Equity (continued)

Terms & Conditions

Ordinary Shares

Ordinary shares entitle the shareholder to participate in dividends and each share is entitled to one vote at shareholders' meetings. On the winding up of the company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds if liquidated on liquidation.

(a) During the year ended 31 December 2008, a total of 2,599,982 ordinary shares were repurchased by the company pursuant to its current share buyback program. These share purchases were undertaken at prices ranging from \$1.35 to \$2.28. No share buy-backs took place during the year ended 31 December 2009.

(b) The Company has an Executive Share Plan ("ESP"), under which rights to the Company's shares have been granted to senior executives. At 31 December 2009, all shares have been allocated to executives (2008: 2,274,833 shares of a total of 8,793,333 unvested shares have not been allocated to executives.)

(c) As announced to the ASX on 23 April 2009, STW Group sought a capital raising to be achieved 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).

Note 8. Control Gained / Lost over Entities

Name	Transaction Date	Ownership Interest as at 31 December 2009 %
Acquisitions		
IM Advertising Pty Limited	1 January 2009	70%
Junior Advertising Pty Limited	1 January 2009	80%
Subnine Pty Limited	1 January 2009	84.9%
Savage & Partners Pty Limited	1 January 2009	80%
iCRE8 Pty Limited	1 January 2009	51%
Disposals		
Generation Alliance Pty Limited	31 March 2009	-

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

Note 9. Earnings Per Share

	Consolidated Entity	
	2009	2008
	\$'000	\$'000
Net profit attributable to members from continuing operations	21,780	17,030
Net profit attributable to members of the parent for basic and diluted earnings per share	21,780	17,030
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic EPS	297,480,362	191,484,355
Impact of Executive share plan shares where EPS growth performance targets have been met	-	1,933,500
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted EPS	297,480,362	193,417,855
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the members of the company		
Basic earnings per share	7.32¢	8.89¢
Diluted earnings per share	7.32¢	8.80¢

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2009

Note 10. Notes to the Cash Flow Statement

	Consolidated Entity	
	2009	2008
	\$'000	\$'000
(a.) Reconciliation of cash flow from operating activities with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax expense	31,672	28,324
Non-cash items in profit from ordinary activities:		
Share of associates and jointly controlled entities profit net of dividends received	(566)	(1,829)
Depreciation and amortisation	5,744	3,947
ESP expense (non-cash)	-	618
Interest on deferred consideration payable	2,474	4,216
Net fair value changes of hedges	1,776	-
Impairment of non-current assets	8,879	15,000
Loss on disposal of non-current assets	1,079	1,219
Changes in assets and liabilities:		
(Increase) / decrease in receivables	19,010	(23,422)
Decrease / (increase) in other assets	1,112	3,597
(Increase) / decrease in net deferred tax assets	814	(4,530)
Increase / (decrease) in payables	7,603	16,833
Increase / (decrease) in provisions	742	305
Increase / (decrease) in income tax payable	(3,773)	(223)
Increase / (decrease) in other liabilities	2,656	(6,337)
Net cash flow from operating activities	79,222	37,718

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

Note 11. Business Combinations

(a) Summary of acquisitions and disposals

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.

During the year ended 31 December 2008:

On 1 January 2008, a wholly owned subsidiary, Issues and Images Group Pty Limited ("I&I") acquired an additional 15% of Cornwell Design Pty Limited ("Cornwell") thereby increasing I&I's ownership to 55%. Cornwell is a branding and design company which operates out of Melbourne.

On 1 January 2008, STW Media Services Pty Limited ("SMS") acquired an additional 35% of Sales Success Promotions Pty Limited ("Sales Success") thereby increasing SMS's ownership to 75%. Sales Success is a promotions company which operates out of Sydney.

On 1 January 2008, SMS acquired an additional 34.5% of Brand New Alliance Pty Limited ("BNA") thereby increasing SMS's ownership to 75%. BNA is a promotions company which operates out of Sydney.

On 1 January 2008, SMS acquired an additional 5% of The Brand Agency Unit Trust ("Brand Agency") thereby increasing SMS's ownership to 80%. Brand Agency is a full service advertising agency operating in Perth, Melbourne and Auckland.

On 1 April 2008, Designworks Limited ("Designworks") acquired an additional 54% of Designworks Enterprise IG Limited ("Designworks EIG") thereby increasing Designworks ownership to 94%. Designworks EIG is a design company which operates out of Auckland and Wellington.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

Note 11. Business Combinations (continued)

(a) Summary of acquisitions and disposals (continued)

During the year ended 31 December 2008 (continued):

On 1 May 2008, SMS gained control of Customer Brand Services Pty Limited (“CBS”) by acquiring 100% of the issued shares. CBS provides mystery shopping services throughout Australia and New Zealand and operates out of Brisbane.

On 1 July 2008, SMS acquired an additional 51% of Brett Goulston & Associates Pty Limited (“BGA”) thereby increasing SMS’s ownership to 100%. BGA is a direct marketing agency which operates out of Sydney.

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

		Consolidated Entity	
		2009	2008
	Notes	\$'000	\$'000
Purchase consideration:			
Acquisition cost in prior periods/ deferred cash settlement		12,151	34,231
Cash paid in the current period	11(c)	8,419	12,573
Total purchase consideration		20,570	46,804
Fair value of net identifiable (liabilities) / assets acquired	11(b)	(37)	7,379
Goodwill acquired		20,607	39,425

The acquired businesses contributed revenues of \$13,221,000 and net profit of \$622,000 to the Group for the period from 1 January 2009 to 31 December 2009. If control over these entities had all been achieved on 1 January 2009, the profit for the group would have been \$23,000 higher and revenue from continuing operations would have been \$574,000 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 2009

Note 11. Business Combinations (continued)

(b) Assets and liabilities acquired

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

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Fair value of net (liabilities) / assets acquired			
Cash		1,976	6,414
Receivables		4,376	6,952
Prepayments		20	267
Other current assets		55	-
Plant and equipment		740	1,476
Deferred tax assets		-	155
Other non-current assets		54	150
Goodwill		-	4,560
Trade payables		(3,147)	(2,874)
Other current liabilities		(3,532)	(8,105)
Provisions		(243)	(572)
Borrowings		(159)	(830)
Deferred tax liabilities		(19)	(7)
Other non-current liabilities		(171)	-
Net assets		(50)	7,586
Outside equity interest in net assets acquired		13	(207)
Net identifiable (liabilities) / assets acquired	11(a)	(37)	7,379

(c) Purchase consideration

	Notes	Consolidated Entity	
		2009	2008
		\$'000	\$'000
Outflow of cash to acquire subsidiaries, net of cash acquired:			
Cash consideration	11(a)	8,419	12,573
Less: cash balances acquired	11(b)	(1,976)	(6,414)
Net Outflow of cash		6,443	6,159

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2009

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) Other segment information

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2009

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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	160,857	174,808	110,225	123,742	1,555	182	272,637	298,732
Share of net profit of associates and jointly controlled entities	4,794	6,859	3,082	2,620	-	-	7,876	9,479
Other income	2,907	3,210	196	264	524	465	3,627	3,939
Segment revenue	168,558	184,877	113,503	126,626	2,079	647	284,140	312,150
Segment result	51,567	59,237	32,665	36,670	(10,523)	(10,453)	73,709	85,454
Impairment of investments							(8,879)	(15,000)
Loss on disposal of investments							(1,065)	(856)
Property move costs							-	(8,711)
Segment result after one off adjustments							63,765	60,887
Depreciation and amortisation							(5,745)	(3,947)
Net interest							(11,270)	(15,731)
Profit from continuing operations before income tax							46,750	41,209
Income tax expense							(15,078)	(12,885)
Net profit for the period							31,672	28,324
Net profit attributable to:								
Minority interests							9,892	11,294
Members of the parent							21,780	17,030

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

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.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2009

ANNUAL GENERAL MEETING

The annual meeting will be held as follows:

Place	Ogilvy House 72 Christie Street St Leonards NSW 2065
Date	14 May 2010
Time	10.00am
Approximate date the annual report will be available	16 March 2010

AUDIT

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



Robert Mactier
Chairman

Sydney
11 February 2010