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ASX Release
13 February 2013

STW ANNOUNCES FULL YEAR 2012 RESULT
Earnings growth in line with guidance: outlook positive

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 2012.

Key features of the result include:

- Revenue¹ of \$357.8 million, up 10.9% (31 December 2011: \$322.7 million).
- Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")¹ of \$79.3 million, up 10.0% (31 December 2011: \$72.1 million).
- Underlying Net Profit After Tax ("NPAT")² of \$44.0 million, up 6.5% (31 December 2011: \$41.3 million).
- Underlying earnings per share² of 12.0 cents, up 4.6% (31 December 2011: 11.5 cents).
- Net debt and future earnout payments of \$138.5 million (31 December 2011: \$106.6 million).
- Strong cash flow generation with EBITDA conversion of 92%.
- Additional banking facilities of \$50 million signed in July 2012.
- Final dividend of 5.0 cents per share, fully franked. Total dividend for the year of 8.3 cents up 3.8% (2011: 8.0 cents per share, fully franked).

STW Group's NPAT for the full year ended 31 December 2012 is comprised as follows:

(\$ millions)	2012	2011	Change
Revenue	357.8	322.7	10.9%
EBITDA	79.3	72.1	10.0%
Margin	22.2%	22.3%	(0.1%)
EBIT	70.6	65.3	8.1%
Underlying NPAT	44.0	41.3	6.5%
Reported EPS (fully diluted)	12.0 cents	11.5 cents	4.6%

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: "Our full year trading results are strong in the face of continued tough economic conditions. We have continued revenue and profit growth momentum in the second half of the year, underpinned by organic market share gains. We have also made significant progress in accelerating our growth strategy for the future."

"Importantly, STW's continued resilient and consistent growth performance in a fast evolving industry and uncertain, challenging economic conditions highlights the benefits of the diversification that underpins our business model."

"We operate and lead across all the major growth sectors of our industry, have multiple offerings within each sector, have a wide spread of client engagements with no material reliance on any individual revenue source, diversified early into what is today the market leading, most multi-faceted digital offering in our industry in Asia Pacific, and now- increasingly- have diversified our geographic footprint into higher growth new markets," Mr Connaghan said.

"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 export our footprint into new markets in Asia. During the second half of 2012, we have continued to make excellent progress on these strategic goals."

"This strategy, while we continue to fine-tune and evolve its implementation, is clearly working and we are confident of our ability to accelerate our industry leading position."

"We have made strong progress in **growing market share within Australia and New Zealand**, and strengthening and further diversifying our portfolios with investments in quality businesses. It's heartening that the very best independent businesses in our industry continue to choose STW Group as the partner of choice."

"In the critical Shopper Marketing sector, we finalised our investment in Markitforce, a company specialising in POS management, warehousing and distribution, consolidating our growing presence in the fast-growing Field Marketing and Path to Purchase capabilities. We also completed, as announced at the Half Year, the acquisition of Buchanan Group, a market leader in branded advertising with offices in Australia, Kuala Lumpur, London and Canada, and of Yellow Edge, a training and facilitation agency which operates out of the ACT, New South Wales, Queensland, Victoria and New Zealand. During the year, Cannings Communications invested in public and investor relations firm, Purple Communications, based in Perth, a transaction that created a national financial PR network. We also completed an investment in market leading experiential agency, Maverick.

"As reported at the Half Year, we have continued to invest in new revenue streams and to incubate new business start-ups, with four new entities commencing operations during the year. Our specialist digital businesses continue to lead and win. Our large traditional businesses in advertising and media have evolved ahead of the structural shift and are ideally positioned for further market share gains."

"Specifically, Ogilvy, JWT and The Brand Agency all made significant, positive progress in 2012. Our digital portfolio, led by DT (part of Ogilvy) and The White Agency, continued significant growth momentum, and our media agencies, including Mindshare, Maxus, Ikon and new start-up Bohemia all had outstanding years.

“Our strategy to lead our industry in **digital services** out-performed our expectations in 2012. Digital services now account for 27%, or \$140 million, of STW’s total revenues, making our digital communications offering the largest in the Asia Pacific region. Digital revenues grew 32% in 2012. Pleasingly, margins achieved from digital revenues continued to grow.

“We invested in a significant internal ‘Digital Academy’ training initiative across our Group which covered 575 STW Group executives, and added specialist new capabilities to the portfolio. These included our investments in Amblique, Australia’s industry leader in ecommerce and digital consulting, and Switched On Media a digital marketing agency focusing on search engine optimisation and social media.

“The third pillar of our growth strategy- to carefully grow and diversify STW’s footprint and capabilities into higher growth **South East Asian markets**- has also exceeded our expectations this year. We began this journey just over 12 months ago, and today have the strong foundations of a digitally led, specialist and differentiated network in place across the ASEAN region.

“Led by our investment announced in late 2011 in Edge in Vietnam and Thailand, our progress this year was highlighted by:

- acceleration to market leader position of our Alpha Salmon digital start up in Jakarta, now with a staff of 55 and a new office in Singapore;
- expansion of existing STW capabilities into Singapore and Malaysia, including the Buchanan Group;
- extension of the Edge brand via the acquisition of a specialist 30 person digital business into Kuala Lumpur, Singapore and Jakarta;
- finalization of a majority investment in a market leading 50 person digital and other e-commerce specialist in Singapore; and
- final stage due diligence underway on several other specialist digital, data and other capabilities, to be finalized and announced in the first half of 2013.

“We continue to approach this offshore expansion with measured caution. Our goal is to see our South East Asia business contribute around 10% of our total revenues and profits by 2016, and we are on track to achieving that.”

Mr Connaghan said STW’s investment in training through in-house training facility, SPUR continues apace. “Our training programs provide a foundation for STW to be a collaborative and unified marketing and communications group. We see our culture as a key differentiator and the collaboration and trust engendered between our companies and people pay dividends for all stakeholders, but most importantly, our clients,” Mr Connaghan said.

2013 Outlook

“STW’s market guidance for 2013 is positive despite prevailing market and economic trading conditions. We are targeting circa 15% underlying NPAT growth, delivering mid single digit underlying EPS growth for the full year ended 31 December 2013.”

Cash, Gross Debt & Facilities

As at 31 December 2012, STW's cash and gross debt balances were \$43.6 million (31 December 2011: \$27.1 million) and \$136.2 million (31 December 2011: \$111.8 million) respectively.

Lukas Aviani STW's Chief Financial Officer said: "Operating cash flow for the year was strong and after completion payments for new acquisitions STW's net drawn debt position increased to \$92.6 million at 31 December 2012 (31 December 2011: \$84.7 million). Despite the increase in net debt, STW's balance sheet and capital position remains in good health."

"STW has total estimated earnout liabilities on balance sheet of \$45.9 million as at 31 December 2012 (31 December 2011: \$21.9 million). 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."

"STW signed extended banking facilities in July 2012, increasing our total debt facilities by \$50 million. STW now has access to debt facilities totaling \$213.2 million (of which \$136.2 million is drawn). These debt facilities expire in July 2013 (\$3.2 million), January 2014 (\$85.0 million), January 2015 (\$75.0 million) and July 2015 (\$50.0 million)."

Dividend

The Directors of STW Communications Group declared a fully franked final dividend of 5.0 cents per share, bringing the total dividend for the year to 8.3 cents per share up 3.8% (2011: 8.0 cents per share).

The final dividend will be paid on 19 April 2013 to shareholders registered at 5 April 2013.

Results Presentation

The STW Group's full year 2012 results presentation will take place at a public briefing at the Adelaide Room, Sofitel Wentworth Sydney, Level 4, 61-101 Phillip Street, Sydney on Wednesday 13th February 2013 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 2012

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 2012	31 December 2011
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Results for announcement to the market

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

Revenues from ordinary activities	up	11.37%	to	\$348,561
Profit from ordinary activities after tax attributable to members	up	7.53%	to	\$43,967
Net profit for the year attributable to members	up	7.53%	to	\$43,967
Earnings per share – Basic	up	6.12%	to	12.14¢
Earnings per share – Diluted	up	5.34%	to	12.03¢
Dividends	Amount per security	Franked amount per security at 30%		
<i><u>Current Year:</u></i>				
Final dividend declared subsequent to 31 December 2012	5.0¢	5.0¢		
Interim dividend declared (paid 10 September 2012)	3.3¢	3.3¢		
<i><u>Previous Year:</u></i>				
Final dividend declared subsequent to 31 December 2011 (paid 20 April 2012)	5.0 ¢	5.0 ¢		
Interim dividend declared (paid 9 September 2011)	3.0 ¢	3.0 ¢		
Record date for determining entitlements to the dividend	5 April 2013			
Date dividend is payable	19 April 2013			
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 2012:				
Refer to the Press Release for commentary				

STW COMMUNICATIONS GROUP LIMITED
Consolidated Income Statement
For the financial year ended 31 December 2012

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Continuing operations			
Revenue	2(a)	348,561	312,969
Other income	2(b)	5,606	3,395
Share of net profit of jointly controlled entities accounted for using the equity method	2(c)	11,197	10,144
		365,364	326,508
Employee benefits expense		(212,537)	(190,714)
Occupancy costs		(19,663)	(16,088)
Depreciation expense	3(a)	(7,083)	(5,807)
Amortisation expense	3(a)	(1,478)	(738)
Travel, training and other personal costs		(10,706)	(9,710)
Research, new business and other commercial costs		(6,665)	(5,972)
Office and administration costs		(14,361)	(13,145)
Compliance, audit and listing costs		(9,079)	(7,529)
Finance costs	3(b)	(13,932)	(11,131)
Profit before income tax		69,860	65,674
Income tax expense	4	(15,392)	(14,911)
Net profit		54,468	50,763
Net profit attributable to:			
Non-controlling interests		10,501	9,874
Members of the parent entity		43,967	40,889
		Cents	Cents
Earnings per share			
Basic earnings per share	9	12.14	11.44
Diluted earnings per share	9	12.03	11.42

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 2012

	Notes	Consolidated Entity 2012	2011
		\$'000	\$'000
Net Profit		54,468	50,763
Other comprehensive income			
Transactions with non-controlling interest (a)		5,149	-
Exchange gain/(loss) arising on translation of foreign operations		2,976	448
(Loss)/gain on cash flow hedges taken to equity		186	(1,457)
Income tax benefit/(expense) relating to components of other comprehensive income		(56)	437
Other comprehensive income for the year (net of tax)		8,255	(572)
Total comprehensive income for the year		62,723	50,191
Total comprehensive income attributable to:			
Non-controlling interests		10,693	10,158
Members of the parent entity		52,030	40,033

- (a) During the year ended 31 December 2012, STW Media Services Pty Limited ("SMS") disposed of a 33.33% equity interest in DT Digital. The proceeds received by SMS were \$5.2 million. The gain on sale as a result of this transaction was \$3.1 million (less the associated income tax expense)

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 2012

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Current assets			
Cash and cash equivalents		43,641	27,141
Trade and other receivables		154,458	163,087
Other current assets		4,975	3,354
Total current assets		203,074	193,582
Non-current assets			
Other receivables		14,149	12,556
Investments accounted for using the equity method		95,373	97,033
Other financial assets		500	395
Plant and equipment		25,495	20,826
Deferred tax assets		11,207	9,990
Intangible assets		495,533	409,912
Other non-current assets		610	441
Total non-current assets		642,867	551,153
Total Assets		845,941	744,735
Current liabilities			
Trade and other payables		182,271	180,940
Borrowings		3,208	2,740
Current tax liabilities	4	9,316	12,437
Provisions		7,089	6,066
Total current liabilities		201,884	202,183
Non-current liabilities			
Other payables		37,782	28,173
Borrowings		133,009	109,133
Deferred income tax liabilities		6,756	6,498
Provisions		3,075	2,444
Total non-current liabilities		180,622	146,248
Total liabilities		382,506	348,431
Net assets		463,435	396,304
Equity			
Issued capital	7	313,829	274,895
Reserves		18,213	9,269
Retained profits		90,649	76,801
Equity attributable to members of the parent		422,691	360,965
Non-controlling interests		40,744	35,339
Total equity		463,435	396,304
		Consolidated Entity	
		2012	2011
Net Tangible Asset Backing			
Net tangible asset backing per ordinary share		(8.07)€	(3.49)€

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 2012

Attributable to members of the parent										
	Notes	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 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

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity For the financial year ended 31 December 2012

	Attributable to members of the parent										
	Notes	Issued capital \$'000	Equity settled share-based payment reserve* \$'000	Transactions			Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000	
				with non-controlling interests reserve* \$'000	Brand name revaluation reserve* \$'000	Interest rate hedge reserve* \$'000					Foreign currency translation reserve* \$'000
At 1 January 2012		274,895	1,272	-	16,275	(1,206)	(7,072)	76,801	360,965	35,339	396,304
Net profit		-	-	-	-	-	-	43,967	43,967	10,501	54,468
Other comprehensive income		-	-	5,149	-	130	2,784	-	8,063	192	8,255
Total comprehensive income		-	-	5,149	-	130	2,784	43,967	52,030	10,693	62,723
Non-controlling interests on acquisition of controlled entities		-	-	-	-	-	-	-	-	1,216	1,216
Share issue	7(a)	38,532	-	-	-	-	-	-	38,532	-	38,532
Cost of share based payments		-	1,283	-	-	-	-	-	1,283	-	1,283
Equity dividends provided for or paid	5	402	(402)	-	-	-	-	(30,119)	(30,119)	(6,504)	(36,623)
At 31 December 2012		313,829	2,153	5,149	16,275	(1,076)	(4,288)	90,649	422,691	40,744	463,435

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

* Nature and purpose of reserves:

- The equity settled share-based payment reserve is used to record the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.
- The transactions with non-controlling interests reserve relates to transactions with non-controlling interests that do not result in a loss of control.
- The brand name revaluation reserve 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 2012

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Cash Flows from operating activities			
Receipts from customers		1,023,579	957,129
Payments to suppliers and employees		(949,232)	(901,344)
Net cash flows from operations		74,347	55,785
Interest received		2,896	1,587
Interest and other costs of finance paid		(12,656)	(9,818)
Dividend and trust distributions received from jointly controlled entities		7,659	5,433
Income tax paid		(19,665)	(20,394)
Net cash inflow from operating activities	10	52,581	32,593
Cash Flow from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired	11(c)	(45,677)	(2,462)
Payments for purchase of jointly controlled entities		(2,543)	(693)
Proceeds from disposal of jointly controlled entities		5,262	-
Payments for purchase of controlled entities		(4,289)	(41,068)
Payments for purchase of plant and equipment		(8,565)	(6,546)
Loans (to)/from associates and jointly controlled entities (net)		(5,416)	8,328
Net cash outflow from investing activities		(61,228)	(42,441)
Net cash used in operating and investing activities		(8,647)	(9,848)
Cash Flow from financing activities			
Proceeds from borrowings		237,109	228,624
Repayment of borrowings		(213,977)	(194,000)
Repayment of finance lease liability		-	(13)
Proceeds from issue of shares	7(a)	38,532	-
Purchase of shares	7(a)	-	(1,291)
Dividends paid to non-controlling interests		(6,504)	(13,869)
Equity holder dividends paid		(30,119)	(26,262)
Net cash inflow/(outflow) from financing activities		25,041	(6,811)
Net increase/(decrease) in cash held		16,394	(16,659)
Effects of exchange rate changes on cash and cash equivalents		106	31
Cash at the beginning of the year		27,141	43,769
Cash at the end of the year		43,641	27,141

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 2012

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 2011 and any public announcements made by STW Communications Group Limited during, and subsequent to, the year ended 31 December 2012 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 2012

Note 2. Revenues

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
(a.) Revenues		
Services rendered	345,665	310,734
Interest income		
Associated entities and joint ventures	222	112
Other entities	2,674	2,123
Total interest income	2,896	2,235
Total revenues from ordinary activities	348,561	312,969
(b.) Other income		
Gain on fair value adjustment on non-current liability (deferred cash settlement)	1,926	610
Other income	3,680	2,785
Total other income	5,606	3,395
(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	11,197	10,144

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2012

Note 3. Profit from Ordinary Activities

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

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
(a.) Depreciation and amortisation expenses			
Depreciation and amortisation of non-current assets:			
Plant and equipment		7,083	5,807
Total depreciation of non-current assets		7,083	5,807
Amortisation of non-current assets:			
Intangible assets		1,478	738
Total amortisation of non-current assets		1,478	738
Total depreciation and amortisation expense		8,561	6,545
(b.) Finance costs			
Interest expense – other parties		12,690	9,819
Interest expense – deferred consideration payable		1,242	1,312
Total finance costs		13,932	11,131

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2012

Note 4. Income Tax

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Major components of income tax are:		
Income Statement		
Current income tax charge	16,307	16,104
Adjustments in respect of current income tax of previous years	44	(271)
Deferred income tax relating to origination and reversal of temporary differences	(959)	(922)
Income tax expense reported in income statement	15,392	14,911
Tax asset and liability included in the financial statements:		
Current tax liabilities	(9,316)	(12,437)
	(9,316)	(12,437)
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	69,860	65,674
At the statutory income tax rate of 30% (2011: 30%)	20,958	19,702
Adjustments in respect of current income tax of previous years	44	(270)
Tax adjustments resulting from equity accounting	(3,359)	(3,043)
Other items allowable for income tax purposes	(2,581)	(1,610)
Amortisation of intangible assets	330	132
Income tax expense reported in Income Statement	15,392	14,911

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2012

Note 5. Dividends

Date proposed final dividend payable.

19 April 2013

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.

5 April 2013

Dividend Reinvestment Plan

A dividend reinvestment plan will not be in operation.

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2011: 5.0 cents per share (2010: 4.2 cents per share)	18,139	15,301
Dividends paid pursuant to the executive share plan ("ESP")	8	32
Interim franked dividend for 2012: 3.3 cents per share (2011: 3.0 cents per share)	11,972	10,929
	30,119	26,262
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 (2011: 5.0 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend expected to be paid on 19 April 2013 (2011: 20 April 2012), out of retained profits at the end of the financial year, but not recognised as a liability, is:	20,191	18,140
Franked Dividends		
The franked portions of dividends recommended after 31 December 2012 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 2012.		
Franking credits available for subsequent financial years based upon a tax rate of 30%	22,451	19,345

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2012

Note 6. Investments Accounted For Using the Equity Method

Jointly Controlled Entities

Name	Principal Activity	Effective Ownership Interest	
		2012	2011
Amblique Pty Limited	Digital marketing	40%	-
Bohemia Communications Pty Limited	Media planning	37.5%	37.5%
Campaigns & Communications Group Pty Limited	Campaign management	20%	20%
Catalyst Advertising Pty Limited	Advertising	-(*)	50%
Enigma Communication Pty Limited	Advertising	20%	20%
Evocatif Pty Limited	Communications	49%	49%
Ewa Heidelberg Pty Limited (formerly i2i Communications Pty Limited)	Communications	49%	49%
Feedback ASAP Pty Limited	Mystery shopping	20.4%	20.4%
Houston Group Pty Limited	Branding and design	40%	40%
Ikon3 LLC	Media Planning	20%	20%
Ikon Perth Pty Limited	Media Buying	45%	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%
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries	Public relations	49%	49%
Paragon Design Group Pty Limited	Advertising	49%	49%
Purple Communications Australia Pty Limited	Public relations	44%	-
Spinach Advertising Pty Limited	Advertising	20%	20%
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%
TCO Pty Limited	Branded content production	40%	40%
The Origin Agency Pty Limited	Public relations	49%	49%
White Digital Pty Limited	Digital marketing	-(*)	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 2012

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

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Investments in associates and jointly controlled entities:			
JWT Group	(i)	2,173	2,099
M Media Group Pty Limited		5,138	3,338
Ogilvy Public Relations Worldwide Pty Limited		938	1,500
Other contributions	(ii)	2,948	3,207
Equity share of jointly controlled entities profit		11,197	10,144

(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

	2012 Number of Shares	2011 Number of Shares	2012 \$'000	2011 \$'000
Ordinary shares issued and fully paid – parent entity	403,828,512	362,798,351	334,676	296,144
Shares under the ESP	(6,184,833)	(6,652,333)	(20,847)	(21,249)
Total issued capital - consolidated	397,643,679	356,146,018	313,829	274,895

(a) Movement in ordinary shares on issue

	2012 Number of Shares	2012 \$'000	2011 Number of Shares	2011 \$'000
At 1 January	362,798,351	296,144	364,310,964	297,435
Share buy-back	-	-	(1,512,613)	(1,291)
Share issue	41,030,161	38,532	-	-
At 31 December for parent entity	403,828,512	334,676	362,798,351	296,144

(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 Issue

During the year ended 31 December 2012, a total of 41,030,161 ordinary shares were issued by the Company on-market pursuant to its capital raising. These share issues were undertaken at an average price of \$0.97 per share prior to the costs incurred as part of the capital raising. No share issue occurred during the year ended 31 December 2011.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2012

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

	2012 Number of Shares	2012 \$'000	2011 Number of Shares	2011 \$'000
At 1 January	6,652,333	21,249	6,652,333	21,249
Shares allocated to executives	(467,500)	(402)	-	-
At 31 December for parent entity	6,184,833	20,847	6,652,333	21,249

Note 8. Control Gained / Lost over Entities

Name	Transaction Date	Effective Ownership Interest as at 31 December 2012 %
Acquisitions		
STW Group Investments Pte Limited	1 January 2012	100%
Edge Marketing Limited	1 January 2012	100%
Edge Marketing Limited (Hong Kong)	1 January 2012	100%
Edge Asia Holdings Pte Limited	1 January 2012	100%
The Media Edge Company Limited	1 January 2012	100%
Mindcookies Company Limited	1 January 2012	100%
Edge Marketing Vietnam Limited	1 January 2012	100%
Pivotal Marketing Vietnam Limited	1 January 2012	100%
Catalyst Advertising Pty Limited	1 January 2012	75%
Yellow Edge Pty Limited	1 March 2012	80%
STW Group Asia Holdings Pte Limited	1 April 2012	100%
Buchanan Group Holdings Pte Limited	1 April 2012	100%
Buchanan Advertising (UK) Limited	1 April 2012	100%
Buchanan Advertising (Malaysia) Sdn Bhd	1 April 2012	100%
Buchanan Advertising (Canada) Inc	1 April 2012	100%
Buchanan Licencing (Singapore) Pte Limited	1 April 2012	100%
Buchanan Advertising (Australia) Pty Limited	1 April 2012	100%
Picnic Software Pty Limited	1 July 2012	70%
White Digital Pty Limited	1 July 2012	100%
Maverick Marketing and Communications Pty Limited	1 July 2012	80%
Markitforce Group Pty Limited and controlled entities	1 July 2012	100%
Ogilvy Action 2012 Pty Limited	1 July 2012	51%
Switched On Media Pty Limited	10 September 2012	75%
Aleph Pte Ltd	1 December 2012	60%

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2012

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	
	2012	2011
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the Company from continuing operations for basic earnings per share	43,967	40,889
Effect of dilution:		
Dilutive adjustments to net profit	-	-
Net profit attributable to ordinary equity holders of the Company for diluted earnings per share	43,967	40,889
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic earnings per share	362,202,129	357,432,194
Impact of Executive share plan shares where EPS growth performance targets have been met	3,299,625	467,500
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted EPS	365,501,754	357,899,694
	Cents	Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		
Basic earnings per share	12.14	11.44
Diluted earnings per share	12.03	11.42

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2012

Note 10. Notes to the Cash Flow Statement

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Reconciliation from net profit to the net cash flows from/(used in) operating activities		
Net profit	54,468	50,763
Adjustments		
Share of jointly controlled entities' net profits, net of dividends and trust distributions received	(3,551)	(4,726)
Depreciation and amortisation of non-current assets	8,561	6,545
ESP expense non-cash	1,283	747
Interest expense on deferred consideration payable	1,242	1,312
Net loss on disposal of non-current assets	-	112
Loss on disposal of non-current assets	24	-
Fair value adjustment	(2,426)	(610)
Changes in assets and liabilities		
Decrease/(increase) in receivables	28,144	(7,997)
(Increase)/decrease in other receivables	(325)	2,246
Increase in deferred tax assets	(482)	(1,094)
Decrease in trade and other payables	(27,213)	(8,479)
Decrease in provisions	(4,581)	(3,184)
Decrease increase in current income tax payable	(3,994)	(3,738)
Increase in other liabilities	1,431	696
Net cash flows from operating activities	52,581	32,593

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2012

Note 11. Business Combinations

(a) Summary of acquisitions and disposals

During the year ended 31 December 2012:

On 1 January 2012, STW Media Services (“SMS”) acquired 100% of Edge Marketing Limited (“Edge”). Edge is a full service advertising agency which operates out of Thailand, Vietnam, Singapore and Hong Kong.

On 1 January 2012, SMS acquired an additional 25% of Catalyst Advertising Pty Limited (“Catalyst”) thereby increasing SMS’s ownership to 75%. Catalyst is a full service advertising agency which operates out of Melbourne.

On 1 March 2012, SMS acquired 80% of Yellow Edge Pty Limited (“Yellow Edge”). Yellow Edge is a training and facilitation agency which operates out of the ACT, New South Wales, Queensland, Victoria and New Zealand.

On 1 April 2012, SMS acquired 100% of Buchanan Group Holdings Pte Limited (“Buchanan”). Buchanan is a full service advertising agency which operates out of Canada, the United Kingdom, Malaysia, Singapore and Australia.

On 1 July 2012, SMS acquired 70% of Picnic Software Pty Limited (“Picnic”). Picnic is a production software company which operates out of Melbourne.

On 1 July 2012, SMS acquired 80% of Maverick Marketing and Communications Pty Limited (“Maverick”). Maverick is an experiential marketing & public relations agency which operates out of Sydney.

On 1 July 2012, SMS acquired 100% of Markitforce Group Pty Limited (“Markitforce”). Markitforce is a point of sale management, product fulfilment, warehousing & distribution services company which operates out of Sydney, Melbourne, Brisbane, Adelaide, Perth and Auckland.

On 1 July 2012, SMS acquired an additional 50% of White Digital Pty Limited (“White”) thereby increasing SMS’s ownership to 100%. White is a full service digital marketing agency which operates out of Sydney.

On 1 July 2012, Singleton, Ogilvy & Mather (Holdings) Pty Limited (“SOM Holdings”) acquired 51% of Ogilvy Action 2012 Pty Limited. STW Communications Group Limited holds a 66.67% share in SOM Holdings. Ogilvy Action 2012 is a market research and advertising agency specific to the retail industry which operates out of Sydney.

On 10 September 2012, SMS acquired 75% of Switched On Media Pty Limited (“Switched On Media”). Switched On Media is a full service digital marketing agency which operates out of Sydney.

On 1 December 2012, SMS acquired 60% of Aleph Pte Limited (“Aleph”). Aleph is a digital strategy, design and innovation agency which operates out of Singapore.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2012

Note 11. Business Combinations (continued)

(a) Summary of acquisitions and disposals (continued)

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 out of 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.

STW COMMUNICATIONS GROUP LIMITED
Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2012

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	
		2012	2011
		\$'000	\$'000
Purchase consideration:			
Deferred/contingent consideration		28,933	2,897
Acquisition cost in prior periods		9,596	8,712
Cash paid in the current period	11(c)	53,254	3,350
Total purchase consideration		91,783	14,959
Fair value of net identifiable assets acquired	11(b)	32,561	625
Goodwill acquired		59,222	14,334

The acquired businesses contributed revenues of \$42,949,986 and a net profit of \$10,025,136 to the Group for the period from 1 January 2012 to 31 December 2012. If control over these entities had all been achieved on 1 January 2012, the profit for the Group would have been \$5,419,280 higher and revenue from continuing operations would have been \$33,641,872 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 2012

Note 11. Business Combinations (continued)

(b) Assets and liabilities acquired

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

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Fair value of net (liabilities)/assets acquired			
Current assets			
Cash		7,577	888
Receivables		15,616	2,758
Prepayments		219	65
Other current assets		5,406	346
Non-current assets			
Plant and equipment		3,210	455
Other non-current assets		801	90
Trademark		5,781	-
Intangible assets		20,431	-
Current liabilities			
Trade payables		(7,356)	(1,683)
Other current liabilities		(14,304)	(1,046)
Provisions		(1,740)	(80)
Current tax liabilities		(873)	-
Non-current liabilities			
Borrowings		(1,213)	-
Other non-current liabilities		(16)	(1,253)
Net assets		33,539	540
Non-controlling interests in net assets acquired		(978)	85
Net identifiable assets acquired	11(a)	32,561	625

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

	Notes	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Outflow of cash to acquire controlled entities, net of cash acquired			
Cash consideration	11(a)	53,254	3,350
Cash balances acquired	11(b)	(7,577)	(888)
Outflow of cash		45,677	2,462

STW COMMUNICATIONS GROUP LIMITED

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2012

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 reported the following segments:

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

Advertising, Production and Media

The Advertising, Production and Media segment provides advertising services, television and print production services and media investments for Australia, New Zealand and other international 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 2012

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue	181,741	168,738	163,239	141,832	685	164	345,665	310,734
Share of net profit of jointly controlled entities	8,569	6,380	2,628	3,764	-	-	11,197	10,144
Other income	1,732	2,233	643	516	3,231	646	5,606	3,395
Segment revenue	192,042	177,351	166,510	146,112	3,916	810	362,468	324,273
Segment result (EBITDA)	58,446	54,110	40,128	38,834	(9,117)	(11,829)	89,457	81,115
Depreciation and amortisation							(8,561)	(6,545)
Net interest							(11,036)	(8,896)
Profit before income tax							69,860	65,674
Income tax expense							(15,392)	(14,911)
Net profit							54,468	50,763
Net profit attributable to:								
Non-controlling interests							10,501	9,874
Members of the parent entity							43,967	40,889

STW COMMUNICATIONS GROUP LIMITED
Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2012

Note 13. Subsequent Events

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 2012

ANNUAL GENERAL MEETING

The annual meeting will be held as follows:

Place	Ogilvy House 72 Christie Street St Leonards NSW 2065
Date	17 May 2013
Time	10.00am
Approximate date the annual report will be available	31 March 2013

AUDIT

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

Signed



Robert Mactier
Chairman

Sydney
13 February 2013