



STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

GENERAL PURPOSE FINANCIAL REPORT

INTERIM FINANCIAL REPORT - 30 JUNE 2011

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to 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 the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

GENERAL PURPOSE FINANCIAL REPORT

INTERIM FINANCIAL REPORT - 30 JUNE 2011

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STW COMMUNICATIONS GROUP LIMITED

Directors' Report

Your Directors present their report on the consolidated entity consisting of STW Communications Group Limited (“the Company”) and the entities it controlled (collectively “the consolidated entity”) at the end of, or during, the half-year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The following persons were Directors of STW Communications Group Limited during the half-year and up to the date of this report:

Robert Mactier
Russell Tate (resigned 10 May 2011)
Anne Keating (resigned 10 February 2011)
Paul Richardson
Ian Tsicalas
Graham Cubbin
Michael Connaghan
Peter Cullinane
Kim Anderson

REVIEW OF OPERATIONS

The statutory profit attributable to members of STW Communications Group Limited for the period ended 30 June 2011 of \$17.2 million, up 5.7% (2010: \$16.3 million).

	Consolidated		Change
	30 June 2011 \$million	30 June 2010 \$million	
Total revenue (including share of net profits from jointly controlled entities)	158.8	155.2	2.3%
Underlying EBITDA	35.8	35.7	0.3%
Profit for the period	20.9	20.6	1.5%
Non-controlling interests	(3.7)	(4.3)	
Statutory profit	17.2	16.3	5.7%
	Cents per Share	Cents per Share	
EPS – statutory profit	4.81	4.55	

STW COMMUNICATIONS GROUP LIMITED

Directors' Report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant items outlined in Note 8, there has not arisen, in the interval between the end of the financial period and the date of signing of this Directors' Report, any item, transaction or event of a material or unusual nature which, in the opinion of the Directors has, or may, significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Company is an entity of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and in accordance with that Class Order, amounts in the Half-Year Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of Directors



Robert Mactier
Chairman
Sydney
10 August 2011



Michael Connaghan
Chief Executive Officer
Sydney
10 August 2011



Deloitte Touche Tohmatsu
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Board of Directors
STW Communications Group Limited
72 Christie Street
St Leonards NSW 2065

10 August 2011

Dear Board Members,

STW Communications Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of STW Communications Group Limited.

As lead audit partner for the review of the financial statements of STW Communications Group Limited for the half-year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Stephen Holdstock
Partner
Chartered Accountants

STW COMMUNICATIONS GROUP LIMITED

Consolidated Income Statement

For the half-year ended 30 June 2011

	Notes	Consolidated	
		Half-year ended	
		30 June 11	30 June 10
		\$'000	\$'000
Continuing Operations			
Revenue		153,072	148,315
Other income	3(b)	2,186	3,040
Share of net profit of jointly controlled entities accounted for using the equity method	3(a)	3,512	3,882
		158,770	155,237
Employee benefits expense		(97,350)	(92,036)
Occupancy costs		(7,917)	(7,921)
Depreciation expense		(2,854)	(2,698)
Amortisation expense		(691)	-
Travel, training and other personal costs		(4,618)	(4,036)
Research, new business and other commercial costs		(2,231)	(3,322)
Office and administration costs		(6,900)	(6,692)
Compliance, audit and listing costs		(3,135)	(4,069)
Finance costs		(5,601)	(6,287)
Profit before income tax		27,473	28,176
Income tax expense		(6,533)	(7,612)
Profit for the period		20,940	20,564
Attributable to:			
- non-controlling interests		3,753	4,309
- members of the parent entity		17,187	16,255
		Cents	Cents
Earnings per share:			
Basic earnings per share		4.81	4.55
Diluted earnings per share		4.81	4.55

The above consolidated income statement should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2011

	Consolidated	
	Half-year ended	
Notes	30 June 11	30 June 10
	\$'000	\$'000
Net Profit	20,940	20,564
Other comprehensive income		
Exchange gain/(loss) arising on translation of foreign operations	887	(134)
Gain/(loss) on cash flow hedges taken to equity	(300)	890
Income tax benefit/(expense) relating to components of other comprehensive income	90	(267)
Other comprehensive income for the period (net of tax)	677	489
Total comprehensive income for the period	21,617	21,053
Total comprehensive income attributable to:		
- non-controlling interests	4,157	4,378
- members of the parent entity	17,460	16,675

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Balance Sheet

As at 30 June 2011

	Consolidated	
	30 June 11	31 Dec 10
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	26,485	43,769
Trade and other receivables	145,221	153,656
Current tax assets	-	1,123
Other current assets	5,177	2,143
Total current assets	176,883	200,691
Non-Current Assets		
Other receivables	11,429	12,853
Investments accounted for using the equity method	91,626	100,326
Other financial assets	218	228
Plant and equipment	21,677	19,906
Deferred tax assets	10,086	8,851
Intangible assets	403,152	382,847
Other non-current assets	2,515	2,687
Total non-current assets	540,703	527,698
Total assets	717,586	728,389
Current Liabilities		
Trade and other payables	169,471	216,066
Borrowings	3,379	3,463
Current tax liabilities	8,468	17,942
Provisions	7,763	6,586
Total current liabilities	189,081	243,607
Non-Current Liabilities		
Other payables	25,611	17,423
Borrowings	111,633	73,800
Deferred tax liabilities	6,418	6,718
Provisions	2,426	2,402
Total non-current liabilities	146,088	100,343
Total liabilities	335,169	343,850
Net Assets	382,417	384,439
Equity		
Issued capital	276,186	276,186
Reserves	10,166	9,378
Retained earnings	63,829	62,174
Equity attributable to members of the parent	350,181	347,738
Non-controlling interests	32,236	36,701
Total equity	382,417	384,439

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2011

Consolidated	Notes	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		-	-	-	-	-	17,187	17,187	3,753	20,940
Other comprehensive income		-	-	-	(210)	483	-	273	404	677
Total comprehensive income		-	-	-	(210)	483	17,187	17,460	4,157	21,617
Non-controlling interests on acquisition and disposal of controlled entities		-	-	-	-	-	-	-	(2,572)	(2,572)
Cost of share based payments		-	515	-	-	-	-	515	-	515
Equity dividends declared or paid	4	-	-	-	-	-	(15,532)	(15,532)	(6,050)	(21,582)
At 30 June 2011		276,186	1,040	16,275	(396)	(6,753)	63,829	350,181	32,236	382,417

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 Statement of Changes in Equity (continued)

For the half-year ended 30 June 2011

Consolidated	Notes	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 2010		276,100	-	16,275	(1,335)	(3,691)	39,137	326,486	41,267	367,753
Net profit		-	-	-	-	-	16,255	16,255	4,309	20,564
Other comprehensive income		-	-	-	623	(203)	-	420	69	489
Total comprehensive income		-	-	-	623	(203)	16,255	16,675	4,378	21,053
Equity dividends declared or paid	4			-	-	-	(7,432)	(7,432)	(6,913)	(14,345)
At 30 June 2010		276,100	-	16,275	(712)	(3,894)	47,960	335,729	38,732	374,461

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 half-year ended 30 June 2011

		Consolidated	
		Half-year ended	
		30 June 11	30 June 10
		\$'000	\$'000
Cash Flows from Operating Activities	Notes		
Receipts from customers		489,627	447,055
Payments to suppliers and employees		(468,332)	(408,129)
Interest received		839	1,422
Interest and other costs of finance paid		(4,830)	(4,943)
Dividends and trust distributions received from jointly controlled entities		3,904	4,225
Income taxes paid		(16,282)	(585)
Net cash inflow from operating activities		4,926	39,045
Cash Flows from Investing Activities			
Payments for purchase of controlled entities, net of cash acquired	6(c)	(2,462)	-
Proceeds from disposal of jointly controlled entities		-	510
Payments for purchase of jointly controlled entities		(682)	-
Earnout payments on controlled entities		(32,649)	(4,045)
Payments for purchase of plant and equipment		(4,189)	(2,465)
Loans from jointly controlled entities		1,530	879
Net cash outflow from investing activities		(38,452)	(5,121)
Cash Flows from Financing Activities			
Proceeds from borrowings		136,832	159,750
Repayment of borrowings		(99,000)	(197,670)
Repayment of finance lease liability		(83)	(316)
Dividends paid to minority interests		(6,050)	(1,726)
Equity holder dividends paid	4	(15,532)	(7,432)
Net cash inflow/(outflow) from financing activities		16,167	(47,394)
Net decrease in cash and cash equivalents		(17,359)	(13,470)
Effects of exchange rate changes on cash and cash equivalents		75	24
Cash and cash equivalents at the beginning of the half-year		43,769	42,034
Cash and cash equivalents at the end of the half-year		26,485	28,588

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 1. Basis of preparation of half-year ended 30 June 2011

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting.' Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' The half year report does not include notes of the type normally included in an annual financial report and shall 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 the interim reporting period.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC class order 98/100, dated 10 July 1998, and in accordance with that class order amounts in the Directors' Report and the half-year financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual report for the year ended 31 December 2010. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to the Company and effective for the current reporting period. The adoption of these new and revised accounting Standards and Interpretations have not resulted in changes to the Group's accounting policies.

Net Working Capital

As at 30 June 2011 the consolidated balance sheet shows current liabilities in excess of current assets by \$12,198,000. The consolidated entity has secured loans available totalling \$170,000,000 (of which \$115,012,000 is drawn at 30 June 2011), with \$170,000,000 maturing in January 2014 with the option to extend the facilities for an additional 12 months.

On 5 July 2011, the company renewed the existing New Zealand bank facility of NZD \$4,250,000 (2010: NZD \$4,239,000), which is due for review in July 2012.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 2. Segment information

IDENTIFICATION OF REPORTABLE SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) 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.

SEGMENTS

The Company has identified two 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.

HOLDING COMPANY

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

ACCOUNTING POLICIES

Segment revenues and expenses are those directly attributable to the segments. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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 further disclosure of these is made in Note 2 Segment Information.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 2. Segment information

BUSINESS SEGMENTS

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the half years ended 30 June 2011 and 30 June 2010 which has been restated to reflect the current business segment presentation:

	Advertising, Media and Production		Diversified Communications		Holding Company and Unallocated		Consolidated Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from services	82,360	86,595	70,233	61,058	383	571	152,976	148,224
Share of net profit of jointly controlled entities	2,396	2,269	1,116	1,614	-	-	3,512	3,883
Other income	1,853	3,796	397	1,704	56	-	2,306	5,500
Segment Revenue	86,609	92,660	71,746	64,376	439	571	158,794	157,607
Segment Result (earnings before interest, tax and depreciation)	23,493	24,261	17,607	18,094	(5,344)	(6,616)	35,756	35,739
Depreciation and amortisation							(3,545)	(2,698)
Net interest							(4,738)	(4,865)
Profit before income tax							27,473	28,176
Income tax expense							(6,533)	(7,612)
Profit for the period							20,940	20,564
Net profit attributable to:								
- non-controlling interests							3,753	4,309
- members of the parent entity							17,187	16,255

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 3. Revenue

	Consolidated	
	Half-year ended	
	2011	2010
	\$'000	\$'000
Revenue for the half-year includes the following items:		
(a) Share of net profits of jointly controlled entities		
Equity share of jointly controlled entities' net profits	3,512	3,882
(b) Other income		
Interest income	864	1,422
Other income	1,322	1,619
	2,186	3,040

Note 4. Dividends

	Consolidated	
	Half-year ended	
	2011	2010
	\$'000	\$'000
Ordinary shares		
Dividends declared for or paid during the half-year:		
Final franked dividend for 2010: 4.3 cents per share (2009: 2.0 cents per share)	15,253	7,151
Dividends paid pursuant to the executive share plan ("ESP")	279	281
Total dividends declared or paid during the half-year:	15,532	7,432

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year, the Directors have recommended the payment of an interim dividend of 3.0 cents (2010: 2.3 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 9 September 2011 (10 September 2010), out of retained profits at the end of the half-year, but not recognised as a liability at the end of the half-year, is:

	10,929	8,379
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STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 5. Movement in ordinary shares on issue

	Consolidated Half-year ended		Consolidated Half-year ended	
	2011	2010	2011	2010
	Shares	Shares	\$'000	\$'000
At 1 January	357,658,631	357,558,631	276,186	276,100
At 30 June	357,658,631	357,558,631	276,186	276,100

Note 6. Business combinations

(a) Summary of acquisitions

During the half-year ended 30 June 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 80% share in The Brand Agency. Rolfe is a full service advertising agency which operates out of New Zealand.

On 1 January 2011, SMS acquired an additional 51% of Tongue Pty Limited ("Tongue") (formerly New Dialogue Pty Limited), thereby increasing SMS's ownership to 100%. Tongue is a full service advertising agency which operates out of Sydney.

On 1 January 2011, Singleton, Ogilvy and Mather (Holdings) Pty Ltd ("SOM Holdings") acquired a 75% 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 January 2011, STW Smollan Field Marketing Pty Limited ("Smollan") acquired 80% 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.

During the half-year ended 30 June 2010:

There were no acquisitions during the half year ended 30 June 2010.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 6. Business combinations (continued)

(a) Summary of acquisitions (continued)

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

	Note	Consolidated Half-year ended 2011 \$'000	2010 \$'000
		Total	Total
Purchase consideration:			
Acquisition cost in prior periods		8,765	-
Deferred cost of acquisition		2,897	-
Cash paid in the current period	6(c)	3,350	-
Total purchase consideration		15,012	-
Fair value of net identifiable assets acquired	6(b)	936	-
Goodwill acquired and recognised		14,076	-

(b) Assets and liabilities acquired

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

	2011 \$'000	Fair Value	Consolidated Half-year ended 2011 \$'000	2010 \$'000
			Acquiree's carrying amount	Fair Value
Cash	888	888	-	-
Trade receivables	977	977	-	-
Prepayments	9	9	-	-
Other current assets	2,127	2,127	-	-
Plant & equipment	710	710	-	-
Deferred tax asset	90	90	-	-
Trade payables	(586)	(586)	-	-
Payables and other current liabilities	(2,343)	(2,343)	-	-
Provision for employee benefits	(80)	(80)	-	-
Borrowings	(941)	(941)	-	-
Net assets	851	851	-	-
Non-controlling interests		85		-
Net identifiable assets acquired		936		-

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2011

Note 6. Business combinations (continued)

(c) Purchase consideration

	Consolidated	
	Half-year ended	
	2011	2010
	\$'000	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired:		
Cash consideration	3,350	-
Less: cash balances acquired	(888)	-
Outflow of cash	2,462	-

Note 7. Investments in Associates

On 1 January 2011, STW Smollan Field Marketing Pty Limited ("Smollan"), acquired 40% of Feedback ASAP Pty Ltd. STW Media Services Pty Limited ("SMS") holds a 51% share in Smollan.

On 13 May 2011, SMS incorporated Ikon3 LLC ("Ikon NY"). Ikon NY is owned 20% by SMS.

On 19 May 2011, SMS incorporated The Origin Agency ("Origin"). Origin is owned 49% by SMS.

Note 8. Subsequent Events

On 5 July 2011, the company renewed the existing New Zealand bank facility of NZD \$4,250,000 (2010: NZD \$4,239,000), which is due for review in July 2012.

Apart from the item disclosed above, there has not arisen, in the interval between the end of the 6 months ended 30 June 2011 and the date of the signing of this financial report, any item, transaction or event of material or unusual nature which, in the opinion of the Directors has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future periods.

STW COMMUNICATIONS GROUP LIMITED

Directors' Declaration

The Directors declare that:

- (a) in the directors' opinion, the financial statements and notes for the half-year ended 30 June 2011 as set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (b) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to s 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Robert Mactier
Chairman
Sydney
10 August 2011



Michael Connaghan
Chief Executive Officer
Sydney
10 August 2011

Independent Auditor's Review Report to the members of STW Communications Group Limited

We have reviewed the accompanying half-year financial report of STW Communications Group Limited, which comprises the condensed statement of financial position as at 30 June 2011, and the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 17.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the STW Communications Group Limited's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of STW Communications Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

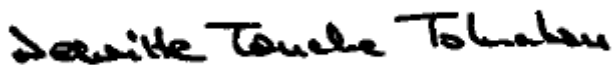
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of STW Communications Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Holdstock
Partner
Chartered Accountants
Sydney, 10 August 2011