different

2008 BUSINESS REVIEW AND FINANCIAL REPORT

CommQuest
Imagination • Integration • Communication

Commquest Limited ABN 95 123 287 025

CommQuest is unlike any other company. Although we are often compared to others in our sector, if you take a closer look at CommQuest, there are many things that set us apart.

We have grown the business and delivered financially sound results. Even in a turbulent year, CommQuest has performed well. We have achieved this through a combination of organic growth, new clients, strategic acquisitions, streamlining business processes and a disciplined management structure.

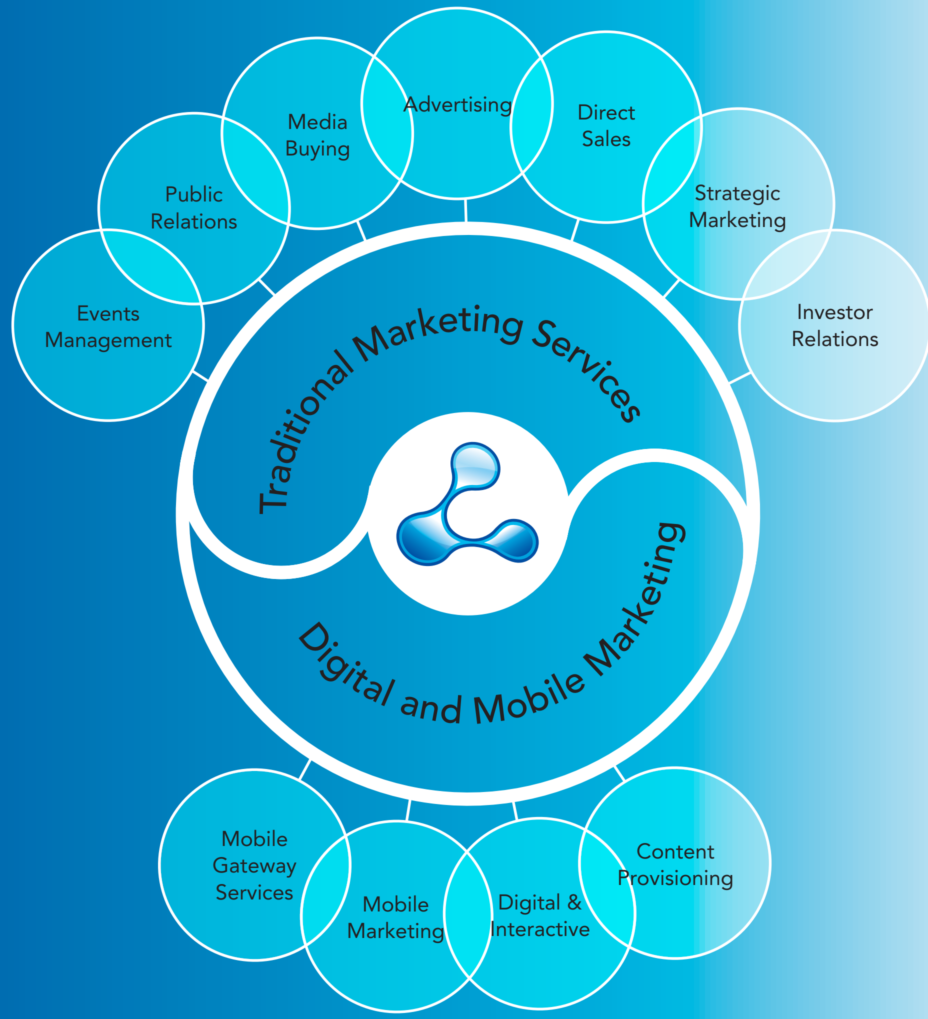
CommQuest is also the owner of the largest digital agency in Australasia, The Next Digital Group. This acquisition has seen the size of CommQuest almost double, and has provided access to some of Australia's biggest companies as clients and expand the Group's geographical footprint into China and Thailand. Next Digital provides CommQuest with a focus for the marketing strategies of the future.

The expansion of the Company's Bongo product represents an exciting step forward in the convergence of the internet and the mobile phone. Bongo will be re-launched as The Bongo Virus, a complete content, delivery and social networking tool that will not only allow consumers to get Any Question Answered (AQA) but be the single point for all their entertainment needs; accessible through their mobile handset and computer. The Bongo Virus' first call to action will be to its existing user base.

This is why CommQuest is different…

this is the difference!

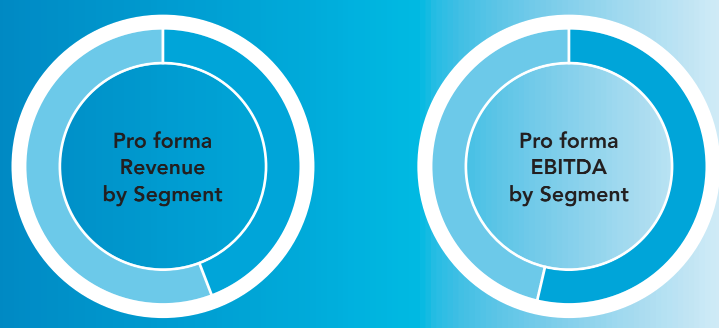
Contents:



The difference is:

true integration

2008 Pro forma Results



44.4% Digital and Mobile Marketing
55.6% Traditional Marketing Services

53.7% Digital and Mobile Marketing
46.3% Traditional Marketing Services

Two streams

Commquest Limited (CommQuest) has always been a diverse mix of businesses, which cover areas of service from customer acquisition and advertising to the latest technology-driven solutions in the rapidly developing digital and mobile frontiers.

However, the Company has not always been viewed this way by the market. It is for this reason that CommQuest has made a structural change and introduced two streams of operation; Integrated Marketing and Digital & Mobile Marketing. This change segments the businesses primarily operating in the traditional marketing and communications sector from those offering services in the emerging digital and mobile arena.

CommQuest believes that whilst the two divisions will continue to work collaboratively, this distinction will provide greater transparency and produce relevant and consistent market information to its external stakeholders.

Diversified business mix

The Company's broad range of service offerings and its two key streams of operation demonstrates diversity and is CommQuest's point of differentiation from its competitors in the marketing and communications sector.

CommQuest's portfolio includes strategic, direct and mobile marketing to public and investor relations, event management, advertising and media planning.

Cross pollination

CommQuest is fostering a collaborative group of operating entities that integrate to provide a unique and results based proposition for its clients. Collectively CommQuest reviews the client's campaign and suggests solutions that cut across all entities in the CommQuest Group to deliver the best result to the client.

Integrated Marketing Services

the smart group — Top 3 direct sales and marketing company in Australia focusing on customer acquisition and contact centre operations via sophisticated technology backend. Listed in the top 30 of BRW Fast 100 four years in a row.

BOILERROOM Group — Strategic marketing, creative agency with specialisations in brand and advertising concepts as well as in the direct marketing space. Winner of the AdNews 2006 Direct Agency of the Year and B&T Emerging Agency of the Year 2004.

think — Event management organisation that specialises in the total end to end solution for its clients, ensuring that it creates not only a fantastic event, but a live brand experience so that the event itself becomes a major marketing tool.

shac — Specialists in strategic campaigns for both national and international clients. Programs include brand development, market research, web design, copy writing, communications, crisis management and stakeholder relations.

PYRO channel strategy — PyroMedia was established to deliver market leading media strategy and buying opportunities for clients looking beyond the traditional agency approach. Offering true channel neutral strategic planning and buying.

CHANNEL financial : communication — Channel is a leading Australian corporate and financial communication consultancy, providing communication counsel to listed and unlisted companies, fund managers and intermediaries.

AUSTRAL MEDIA GROUP — Austral Media Group is a custom publishing and marketing group specialising in community and emergency service group publications throughout Australia.

point9 Research & Analytics — Point9 is a marketing analytics and marketing effectiveness research company dedicated to quantifying the value that marketing has back to the bottom line. Using behavioural data, Point9 builds individually tailored econometric models, measurement, data systems and even predictive communications spend models. This delivers a true picture of the ROI that marketing communications can deliver.

Digital and Mobile Marketing

nextdigital — Next Digital is a full service digital marketing & services company, providing strategic, integrated, digital driven business and marketing solutions for the consumer and business markets.

Bland. — Specialising in digital and interactive media, Bland is a simple yet exciting organisation that focuses on client outcomes and functionality along with best-in-class design to deliver the most effective digital communication strategy.

IMPULSE Business Solutions — Impulse Business Solutions is the provider of the popular AQA service 'Bongo'. Operating in Australia, New Zealand, and United Kingdom and soon to be released in Ireland, Canada and the USA.

SMS Central — With sophisticated Premium SMS Gateway technology, SMS Central provides the backbone to the Group's Mobile Marketing strategy, with development now focusing on MMS and video via mobile technologies.

inspirus SMS & Email Marketing Solutions — Inspirus is an online broadcast SMS / MMS platform allowing businesses to send SMS and MMS to their customers through an easy to use, inexpensive, self service portal.

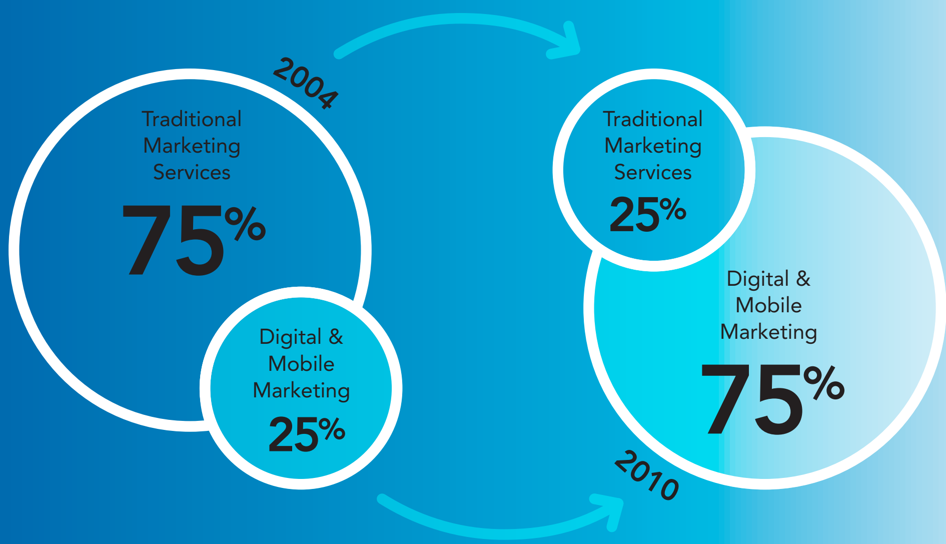
platinum tv — Platinum TV puts content on screens in premium public places via its 'on-premise digital TV' network. The network is featured in bars, pubs and retail outlets providing a platform for advertisers and media agencies to target the 18-30 year old affluent demographic.

mobidata — *MobiData is a specialist developer of mobile products & solutions across different phone operating systems & complex IT architectures.

infodial Australia — *Infodial provides a range of premium rate 1900, toll free 1300 & free call 1800 interactive communications solutions.

*denotes that acquisition occurred post 30 June 2008 and therefore the entity does not contribute to the group's financial performance for the period to 30 June 2008

Digital & Mobile Marketing Destined to Supersede Traditional Mediums by 2010



The difference is:

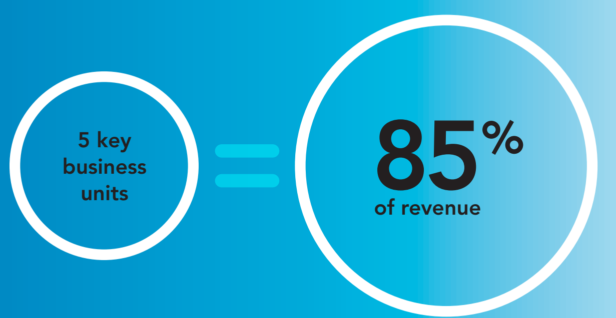
we have a strategy

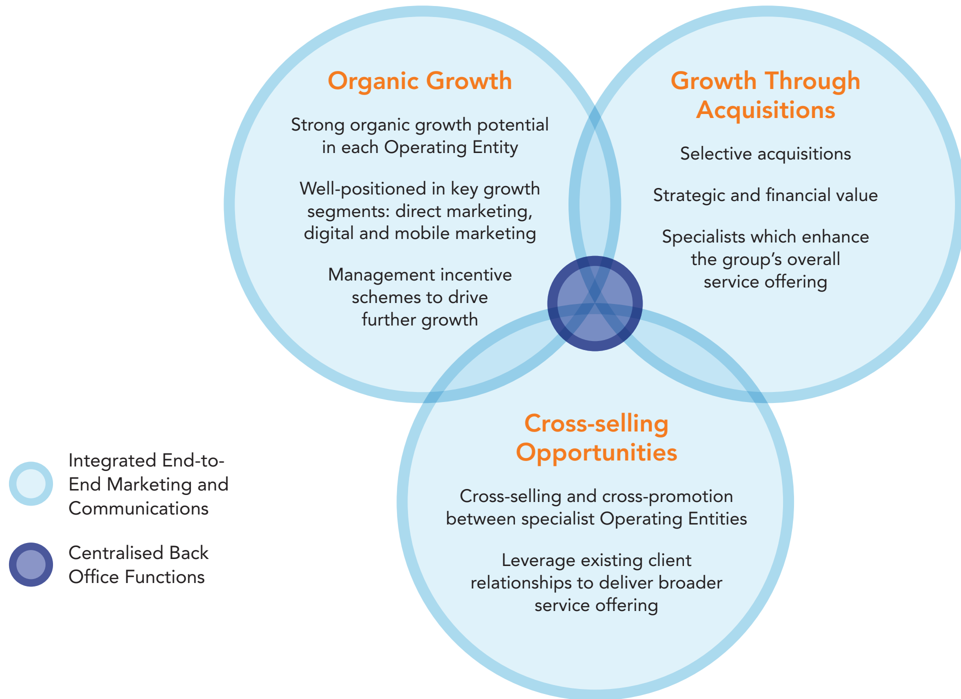
Our Growth Plan

Even in difficult economic times CommQuest is still planning for very targeted growth and to continue its impressive record of expansion into niche market segments. CommQuest will continue to look at strategic acquisitions whilst pursuing organic growth solutions, development of its own key IP and products including the launch of The Bongo Virus. This will be a key development in the growth of the Company moving forward whereby CommQuest, through its existing branded product Bongo, will provide users with an entertaining and interactive java and WAP-based mobile phone platform complemented by a website. This is the first of its kind as previously such platforms have only available via the internet on PCs.

Management Structure

Along with developing two core streams of operations being CommQuest Integrated Marketing and CommQuest Digital & Mobile Marketing, the Company is also structuring its key management in a more efficient and service centric way to improve cross pollination between the Group. This new management structure will further improve on the dynamic way CommQuest does business. It will enable the business units to facilitate better and more targeted responses to unique external influences affecting each stream.





Active Acquisition Programme

- Five acquisitions completed since listing to 30 June 2008:
  - **Channel Financial Communication**
  - **Next Digital Group**
  - **Platinum TV**
  - **Austral Media Group**
  - **Inspirus**
- Majority of acquisitions funded through 50:50 mixture of cash and escrowed CommQuest shares

Channel Financial Communication

- Specialist financial communication business advising listed corporations, fund managers and financial intermediaries
- Founded in 2000, Sydney-based
- Service offering includes:
  - Communication strategy development
  - Investor relations counsel
  - Transaction-related communication
  - Corporate affairs support
  - Public relations services
  - Negotiation strategy
  - Strategic facilitation

Next Digital Group

- Largest digital group in Australasia
- Full service digital agency providing digital services and solutions to blue chip clients both in Australia and globally
- 200 staff in Melbourne, Sydney, Brisbane, Shanghai and Bangkok
- Service offering includes:
  - Digital advertising
  - Website analytics
  - Conversion design
  - Search engine optimisation
  - Site structure and persuasive architecture
  - Digital communication
  - Development and infrastructure services

Platinum TV

- Facilitation of digital signage in premium locations such as bars, clubs and pubs
- System installed throughout Sydney and Melbourne
- Service offering includes:
  - Digital signage
  - Targeted Advertising
  - Content Provisioning
- CommQuest owns 20% of Platinum TV

Austral Media Group

- Custom publishing and advertising company, specialising in publications for associations and charities with particular focus on the emergency services
- 30 staff in Melbourne and Adelaide
- Service offering includes:
  - Custom Publishing
  - Type Setting and Content Editorial
  - Telemarketing

Inspirus

- Online broadcast SMS/MMS platform allowing self service for businesses to communicate effectively with their customer base
- Operating in Melbourne and Sydney predominantly
- Service offering includes:
  - Broadcast SMS
  - Broadcast MMS
  - Integration of SMS system into other software applications

Acquisitions after 30 June 2008 include:

- MobiData Holdings Ltd
- InfoDial Australia Pty Ltd

The difference is:

results do matter

Our Funding

- $44m debt facility secured with ANZ, November 2007, further increase to $48.1m in February 2008:
  - $35m earmarked for acquisitions
  - $13.1m for operating capital
- Favourable average interest rate of 7.58% locked in for 2 years (drawdowns of facility for first two acquisitions – Channel & Next Digital)
- Current level of drawdown $27.83m

Our position is sound

Statutory	30 June 2008
Cash	$6.5m
Working Capital	$7.5m
Fixed Assets	$2.8m
Intangible Assets	$60.1m
Provisions	($1.7m)
Borrowings	($27.8m)
Deferred Settlement Obligations	($5.5m)
Net Other Liabilities	($0.1m)
Net Assets	**$41.80m**

CASH
$6.5M

- Pro forma working capital has increased owing to timing differences associated with cut-off of cash flows at time of IPO back to original vendors
- Capex is lower than anticipated, however integration plans are ahead of schedule

Our performance is positive

Year Ending 30 June 2008	Pro forma	Statutory
Revenue	**$74.1m**	$50.9m
EBITDA	**$10.4m**	$6.0m
EBIT	**$8.9m**	$4.9m
EBITDA Margin	**14.04%**	11.79%
Net Profit after Tax	**$3.6m**	$2.4m
EPS	**4.36 cents**	4.85 cents

EBITDA Margin
14.04%

- Results are in line with updated guidance
- Underlying organic growth exists of approx. 10% – 15%
- Full year pro forma results are skewed to second half due to timing of work in operating entities' (such as Impulse expanding into UK)

Chairman's Report
John Hall

Dear Shareholders,

It is with pleasure that I provide to you the Company's first annual report since its listing in November 2007.

Commquest Limited has experienced a turbulent start to its life as a listed services company.

During this financial year, we have seen a combination of exciting growth across a number of key divisions and five strategic post-IPO acquisitions completed to 30 June 2008. However, the reduction in the Company's share price over this period has dampened the impact these gains have made to the Company, mainly brought about by the current economic environment and under performance in some of our operating entities.

Although the Company announced a downgrade in its 12 month pro-forma results to 30 June 2008 on the back of slowdowns in two major contracts within both the advertising and direct marketing sectors of our business, the Company still achieved 38.07% growth in EBITDA as a year on year comparison to the result achieved in the financial year ending 30 June 2007. The 30 June 2008 EBITDA of $10.4m was achieved through a mix of both organic and acquisitive growth across the organisation.

The key highlights for the Company were its rapid expansion and revenue and earnings growth experienced in both the digital and mobile marketing sectors. This growth was mainly attributed to the acquisition of the Next Digital Group and the international expansion of Impulse Business Solutions. The Digital & Mobile division of CommQuest has experienced strong growth, with revenues increasing by 41.3% and EBITDA by 331.6% over the past 12 months. The Company will continue to focus a lot of its efforts into this emerging sector as many clients look to harness the internet and mobile phone technology to engage and build a relationship with their customer in a new and more targeted way.

Since IPO, CommQuest has steered the strategic growth of its business through a number of acquisitions in key areas of the organisation. The objective of these acquisitions was to increase our existing service offering or to provide new service offerings and capabilities to our clients. The acquisitions also expanded our geographic footprint with the Company now having offices in four states of Australia, two countries outside of Australia (being China and Thailand) and operating within a further two international markets, New Zealand and the United Kingdom. The acquisitions have introduced exciting new services and talent into the organisation with offerings now in financial communication (Channel Financial Communication), custom publishing (Austral Media Group), broadcast SMS/MMS (Inspirus), digital signage and content provisioning (Platinum TV), as well as offering the single largest digital agency in Australasia being the Next Digital Group. CommQuest has a highly talented workforce who are focused on what the business stands for; client result based outcomes and growing the business.

Already in the 2009 financial year the Company has attracted investment from the highly regarded Lazard Carnegie Wylie group. This is an exciting start to this challenging financial year as we look to continue our growth trajectory while focusing on the core components of the business and the entrepreneurial spirit it was founded on.

John Hall
Independent Non-Executive Chairman

Placement of Shares to Lazard Carnegie Wylie

On 29 August 2008, CommQuest entered into an agreement to place 15% of the Company's share capital with investment funds managed by Lazard Carnegie Wylie for a price per share of $0.25.

The placement will be split into two tranches, one of which was issued on 2 September 2008 with the second tranche to be issued after obtaining shareholder approval at the Company's AGM in November 2008.

The Company is pleased with the placement and investment that Lazard Carnegie Wylie has made in the business. The Board and Management look forward to the opportunities and support an investor of this calibre can bring to the growth prospects of CommQuest.

Lazard Carnegie Wylie Investment Management Pty Ltd is part of the Lazard Carnegie Wylie group of companies, which are wholly owned subsidiaries of Lazard Limited (NYSE:LAZ).

Lazard, one of the world's pre-eminent financial advisory and asset management firms, operates from 40 cities across 23 countries in North America, Europe, Australia, Asia, Central and South America. With origins dating back to 1848, the firm provides advice on mergers and acquisitions, restructuring and capital raising, as well as asset management services, to corporations, partnerships, institutions, governments and individuals.

For more information on Lazard, please visit www.lazard.com.

Chief Executive Officer's Review
William Scott

Dear Shareholders,

I would like to take this opportunity to not only reflect on CommQuest's activities and performance in the past financial year but to also expand upon the initiatives and strategies that CommQuest is looking to implement over the coming 12 months.

The business has successfully completed a number of acquisitions over the past 12 months which have been extremely positive to the organisation from not only a financial stand point but also from a service and geographic perspective. We have focused strongly on technology-driven areas to take advantage of the changing models of doing business. Moving forward we will look to continue our expansion of the business in the digital and mobile marketing sector including, where appropriate, assessing a small number of strategic acquisitions in this space in the next 12 months.

While investigating the opportunities that may arise for the business to complete further acquisitions, we also are keenly aware of the effect that being in a service based industry has on the financial performance of the business as economic conditions tighten. Although the business units of CommQuest are operating efficiently and producing year-on-year growth, the organisation still seeks to achieve double-digit growth. As such, we have looked internally to identify those assets that we can further develop to deliver our desired growth even if markets continue to be challenging.

Our strategy is to reduce operating costs where possible, identify and expand on CommQuest owned consumer products and target business segments that are less likely to be affected by times of economic retraction. This assessment has identified the Company's own product, Bongo, and the mobile phone industry as those ingredients that can help supplement the organisation's quest for growth in a slowing market.

CommQuest has developed The Bongo Virus as a new social, interactive and technology driven solution that the Company provides directly to the consumer. With an existing base of global users, The Bongo Virus is a new way in which the consumer can have the functionality of the internet with the portability of the mobile phone. It is a convergence of these two arenas into the one user-friendly platform. The Bongo Virus will allow users to chat to one another through instant messaging, download ringtones and games, the latest gossip and, as always, Ask Bongo anything! The functionality of this product is both engaging and entertaining for the mobile user. I encourage shareholders to visit www.thebongovirus.com to see the full extent of this new product and the exciting opportunities it presents to our business.

The Bongo Virus is a prime candidate for success and seeks to rapidly increase Bongo's existing user base by embracing a relatively new phenomenon; Viral Marketing. Viral marketing works by delivering a targeted message to consumers who then communicate this message to others through word of mouth. Provided the message is exciting and relevant, viral marketing is an effective and low cost method of quickly increasing brand awareness and loyalty.

This report also gives me a chance to introduce to our shareholders and other stakeholders, a number of individuals within CommQuest that assist me in leading the organisation. Each one of these individuals is a specialist in their field and provides both CommQuest and its operating companies with a great deal of experience in their chosen fields of specialty. The following people assist me in operating a 700 people strong organisation spread across such a wide geographic area on a day to day basis.

William Scott
Chief Executive Officer

Boyd Coulson Above the Line & Creative	**Arthur Spanos** Digital & Mobile	**David Lindsay** Investor Relations	**Jordan Muir** Below the Line & Operations	**Flynn Dunton** Mobile – Creative & Sales	**Jonathon Meredith-Smith** Chief Financial Officer
• BoilerRoom	• Next Digital	• Channel Financial Comm-unication	• The Smart Group	• Impulse Business Solutions	• Finance
• PyroMedia	• MobiData Group		• Austral Media Group	• Infodial	• HR
• Think	• Platinum TV				
• Shac	• SMS Central				
• Smart PR	• Inspirus				
• Bland					

All of these individuals are extremely dedicated and provide leadership to their areas of responsibility and to the Company as a whole. I look forward to continuing to work with each of them and every other staff member within our organisation over the course of the next financial year.

The next 12 months will be a chance for CommQuest to consolidate its service offerings and concentrate on the needs of its clients while also expanding the Company's reach and interaction with consumers globally through its own intellectual property. I look forward to the challenges that await us and making 2008/09 a successful year for CommQuest.

William Scott
Chief Executive Officer/Executive Director

The Board and Senior Management

John Hall (a)
Independent Non-Executive Chairman

Member of Audit and Risk Committee

Member of Nomination and Remuneration Committee

Paul Tobin (c)
Non-Executive Director

Chairman of Nomination and Remuneration Committee

Chairman of Mergers and Acquisitions Committee

Boyd Coulson (e)
Executive Director

Chief Marketing Officer

Member of Audit and Risk Committee

William Scott (b)
Executive Director

Chief Executive Officer

Member of Nomination and Remuneration Committee

Member of Mergers and Acquisitions Committee

Jordan Muir (d)
Executive Director

Chief Operating Officer

Member of Mergers and Acquisitions Committee

Tom O'Brien AM (f)
Independent Non-Executive Director

Chairman of Audit and Risk Committee

Our success can be attributed to several key factors, but essentially it is the unique combination and integration of these services that separates us from some of the other marketing groups both operationally and financially.

Integrated Marketing Services

Our capability

- Direct Marketing & Sales
- Advertising
- Channel Planning
- Financial Communications
- Investor Relations
- Public Relations
- Media Planning & Buying
- Strategic Communications
- Events Management

CommQuest's traditional marketing capability includes strategic marketing, direct marketing, direct sales, public relations and public affairs, financial communications, event management, advertising and media planning.

Our success can be attributed to several key factors, but essentially it is the unique combination and integration of these services that separates us from some of the other marketing groups both operationally and financially.

EBITDA Growth by Sector

12%

New Clients of the Integrated Model

7

in 2008

New business wins prove integrated model works

The model works on the basis of two or more CommQuest operating entities working in collaboration with the client to produce an outcome that is measurable and above expectations:

- Primus Telecommunications
- FKP Property Group
- Southern Cross Health
- Simply Energy
- Teco
- 1300 Insurance
- ExitReality

Case Study 1

BOILERROOM, POINT9 and PYROMEDIA for FKP PROPERTY

BoilerRoom developed an integrated advertising and marketing campaign for FKP across most main media. Operating behind BoilerRoom was media planning specialist PyroMedia and marketing analytics specialist Point9. PyroMedia drove the communications strategy while Point9 used its unique media effectiveness and segmentation modelling to determine which types of media would be the most effective at drawing sales and maximising the return for FKP on their marketing spend.

The Saltwater Coast development will continue to grow and prosper over the next five to eight years as progressive precincts are released to the public. The next challenges for FKP and BoilerRoom are to maintain the momentum of the campaign and to continue monitoring the profiling data to drive down the cost of marketing each block.

Case Study 2

SMART PR and THINK CREATIVE for EXITREALITY'S GLOBAL LAUNCH

The launch of ExitReality marked the day the entire World Wide Web entered three dimensions. From 18 September 2008, every single website is now able to be viewed in 3D – ExitReality has turned the Internet into a walking virtual reality.

Smart PR was the lead on the account and was officially appointed to handle the long-term public relations activity for ExitReality. For the months leading up to the global launch on 18 September, Smart PR prepped selected key international and national media in personalised, one-on-one demonstrations.

In August, Smart PR brought Think Creative, the event management company into the equation. While Smart PR was responsible for handling the worldwide media publicity, Think Creative managed the spectacular, history making global launch event at the BMW Edge Theatre in Federation Square.

The launch was an incredible success, with approximately 200 guests, including journalists and reporters from various media attending. Since the launch, ExitReality has been a constant feature in the print, TV, radio and online media, with over 100 news stories appearing internationally and nationally to date. Coverage has included the influential US website Drudge Report and various international media such as SBS TV World News, Channel 7 Sunrise, Sky News, the Telegraph UK, and front pages of MX Sydney, Melbourne and Brisbane.

It is believed that about half of all traditional advertising does not reach the right audience. Advertising on the web and on mobile phones has huge potential to connect brands with consumers at any time of the day and night, within a specific location but it must be creative, relevant and non-intrusive.

Digital & Mobile Marketing

Our capability

- Web Design
- Interactive Media
- Mobile Marketing
- SMS Message Information Services
- Digital Marketing
- Premium SMS & MMS Aggregator
- Mobile Application Development

Number of Monthly visitors to Social Networking Sites = 100M Worldwide

Mobile Subscribers 4.81B worldwide by 2012

Mobile Phone Advertising Marketing forecasts to be 20B by 2012

Through a fusion of ideas and technology, CommQuest provides digital and mobile solutions that are as unique as our clients and are at the forefront of the industry. Our comprehensive range of services includes web development and survey capabilities through to software design and development for mobile marketing requirements.

It's a different landscape now

As a relatively new division for CommQuest, our collaborative approach of meeting client needs with cutting edge Digital & Mobile Marketing solutions will be fully realised in the coming year however our subsidiaries have begun to work together to achieve significant and successful results.

Case Study 1

BLAND, SMART GROUP, SMS CENTRAL and SMART PR for 1300 INSURANCE

On 1 June 2008, 1300 Insurance approached The Smart Group to perform consultative services including a hosted IVR (voice-automated response platform) solution for their aggregated Insurance product portfolio to retail customers. From the initial meeting it was identified that the CommQuest Group was able to deliver additional services through Bland and SMS Central to assist in marketing and promoting the 1300 insurance product.

Bland, a specialist in digital communication strategy produced a new, clean website for 1300 Insurance while SMS Central integrated its SMS gateway into Smart's call centre operations to allow potential customers to text for an insurance quote, in effect a lead generator for 1300 Insurance and their associates.

Smart integrated the full IVR solution, which connected all of 1300's associates and delivered a full reporting backend solution on time and within budget.

Case Study 2

NEXT DIGITAL, SMS CENTRAL, MOBIDATA GROUP, SMART PR and THINK CREATIVE for THE BONGO VIRUS

Whilst CommQuest is the client, The Bongo Virus is probably the best example of collaboration, within the Group to date. For The Bongo Virus project, CommQuest drew on the co-operation of Next Digital, SMS Central and MobiData to deliver a mobile phone portal with ability to receive and send content, build for an interactive website that aggregates multiple content provisions from games, tunes to instant messaging platforms and social networking.

As the Bongo Virus is live from 19 October 2008, CommQuest has begun utilising the expertise of Smart PR and Think Creative to ensure that the mobile generation will discover the Bongo revolution in this mobile and digital entertainment arena.

The BONGO Virus aggregates multiple technologies, applications and social networks onto one platform that will be accessible from the internet-enabled mobile handset, PC and laptop.

The difference is:

a new kind of beat

Financial Statements

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Corporate Governance Statement

For the year ended 30 June 2008

The Directors of CommQuest have adopted practices and procedures for the corporate governance of the Group. These establish the framework of how the Directors carry their duties and obligations on behalf of shareholders.

(a) Market disclosure protocol

CommQuest has adopted a market disclosure protocol. The objectives of this protocol are to ensure that:

(i) CommQuest immediately discloses all price sensitive information to ASX as required under the Listing Rules; and

(ii) officers and employees of CommQuest are aware of the Company's continuous disclosure obligations.

Any price sensitive information shall be reported to the Board by the CEO, CFO or Company Secretary to help the Board achieve its objective to establish, implement and supervise an effective continuous disclosure system.

The Board is responsible for:

(i) establishing a system to monitor compliance with continuous disclosure obligations;

(ii) deciding if information should be disclosed to ASX; and

(iii) monitoring regulatory requirements so that the protocol continues to conform with those requirements.

(b) Board of Directors and its composition

The Board is accountable to the shareholders for the overall direction, performance, management and corporate governance of CommQuest. The Board has been structured to provide a blend of experience and skills to ensure the effective governance of the Company. It comprises three non-executive directors, including the Chairman and the three executive directors, including the Chief Executive Officer.

The Board's responsibilities include:

(i) overseeing the Group, including its accountability and control system;

(ii) appointing the CEO;

(iii) ratifying senior executive appointments, organisational changes and senior executive performance, remuneration policies and practices;

(iv) approving the corporate strategy of the Group and monitoring performance objectives;

(v) approving and monitoring the progress of major capital expenditures, capital management initiatives, acquisitions and divestitures;

(vi) reviewing, ratifying and monitoring system of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and

(vii) approving and monitoring financial and other reporting.

(c) Board committees

The Board has established the following committees to assist it in carrying out its responsibilities to share detailed work and to consider certain issues and functions in detail:

(i) Nomination and Remuneration Committee;

(ii) Audit and Risk Committee; and

(iii) Mergers and Acquisitions Committee.

(d) Nomination and Remuneration Committee

The Nomination and Remuneration Committee will ideally comprise at least three Directors, a majority of whom are independent directors. The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure CommQuest:

(i) has the Board of an effective composition, size and Committee to adequately discharge its responsibilities and duties;

(ii) has coherent remuneration policies and practices to attract and retain executives and Directors who will create value for shareholders;

(iii) observes those remuneration policies and practices; and

(iv) fairly and responsibly rewards executives having regard to the performance of CommQuest, the performance of the executives and the general remuneration environment in markets in which it operates.

The Nomination and Remuneration Committee is responsible for matters including identifying and recommending to the Board nominees for membership of the Board including the CEO and ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans.

In relation to remuneration, the Nomination and Remuneration Committee is responsible for matters including reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices and annually considering, approving and recommending to the Board both executive and non-executive remuneration.

(e) Audit and Risk Committee

The Audit and Risk Committee should ideally comprise at least three Directors, a majority of who are independent directors and the chairman of which is independent and not the chairman of the Board.

The principal functions of the Audit and Risk Committee include:

(i) Helping the Board to achieve its objectives in relation to:

- (A) Financial reporting;
- (B) The application of accounting policies;
- (C) Compliance and implementation of business policies and practices;
- (D) Legal and regulatory compliance; and
- (E) Internal control and risk management systems.

(ii) Promoting a culture of compliance; and

(iii) Ensuring effective external and internal audit functions and communications between the Board and the external and internal auditors.

(f) Mergers and Acquisitions Committee

The purpose of the Company's Mergers and Acquisitions Committee is to assist the Board in its responsibility relating to assets and business bought and sold by the Group.

The Mergers and Acquisitions Committee must consist of (as a minimum):

i) at least one non-executive director; and

ii) the Company's Chief Executive Officer

The duties and responsibilities of the Mergers and Acquisitions Committee are:

(A) to receive a monthly report from management detailing any transactions being considered by any company in the Group;

(B) the Mergers and Acquisitions Committee must determine what further information, if any, it requires in connection with any prospective transaction;

(C) the committee must provide ongoing advice to management about the prices, term, structure, integration plans, and strategic management, among other matters, of proposed transactions, and assist in framing the overall strategic goals of mergers and acquisition activity by the Group; and

(D) the committee must keep the full Board of Directors appraised of key matters, and direct management to seek the advice and consent of the full Board as and when necessary.

(g) Code of Conduct

CommQuest has adopted a code of conduct for Directors and CommQuest employees and contractors. As well as the legal and equitable duties owned by Directors and CommQuest employees and contractors, the purpose of this code of conduct is to:

(i) articulate the high standards of integrity, ethical and law-abiding behaviour expected of Directors and CommQuest employees and contractors;

(ii) require the observance of those standard to protect and promote the interest of CommQuest;

(iii) protect shareholders and other stakeholders (including employees, customers, suppliers and creditors); and

(iv) set out the responsibility and accountability of Directors and CommQuest employees and contractors to report and investigate any reported violations of the code or unethical or unlawful behaviour.

(h) Securities trading policy

CommQuest has adopted a securities trading policy which outlines when Directors, senior management and other employees and contractors of CommQuest may deal in shares and other securities of CommQuest traded on ASX.

(i) ASX Corporate Governance Council

Under the Listing Rules, CommQuest is required to provide a statement in its annual report disclosing the extent to which it has followed in the relevant reporting period the Good Corporate Principles and Recommendations published by the ASX Corporate Governance Council on 2 August 2007. The ASX Corporate Council has recognised that the range in size and diversity of companies is significant and that it may not be commercially practicable for some companies (such as CommQuest) to follow all of the recommendations. As at the date of this Report, CommQuest complies with a number of, but not all, of the recommendations.

Directors' Report

30 June 2008

Your directors submit their report for the year ended 30 June 2008.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows:

Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr John A Hall MBA FAICD (Non-Executive Chairman)

John is the non-executive Chairman of Commquest Limited and is a professional non-executive director. He is a director of the Bank of China (Australia) Limited, the Australian retail banking subsidiary of the Bank of China.

He is a Director of PayPal Australia Limited, a subsidiary of eBay Inc. John recently stepped down after three years as Chairman of Channel Financial Communication Pty Ltd, a leading investor relations consulting firm. He was Director of the listed company Tribeca Learning Limited from November 2004 until its acquisition in 2006 by Kaplan Inc, a subsidiary of the Washington Post Group.

John is currently Chairman of the Psychiatric Rehabilitation Association Inc and a Director of Hockey Australia.

Prior to his career as a non-executive director, John was Chief Executive Officer, Australian Institute of Company Directors for three years until January 2004. He was Managing Director of Austraclear Limited, the operator of the central securities depository and settlement system to the Australian financial markets from 1995 to December 2000. Between 1984 and 1995 he was CEO of the International Banks' and Securities Association of Australia. John has a MBA from Deakin University and a post-graduate diploma in management from RMIT. He is a Fellow of the Australian Institute of Company Directors.

He is a member of the Board's Audit and Risk Committee and Nomination and Remuneration Committee.

During the past three years Mr Hall has also served as a director of the following other listed companies:

- Tribeca Learning Limited – Appointed November 2004; Resigned May 2006

Mr William H A Scott B. Arts (Public Relations) (Executive Director and Chief Executive Officer)

William is the founder and CEO of Commquest Limited which was created in early 2007 and subsequently listed in November 2007 on the ASX. William was also co-founder and CEO of one of Australia's fastest growing sales and marketing company, The Smart Group. The Smart Group was in the top 30 of the BRW Top 100 for four consecutive years under William's leadership. The Smart Group has also been recognised through the Australian Achiever Awards for excellence in customer relations. William most recently was awarded the 2008 ADMA Victorian Young Direct Marketer of the Year.

William holds a Bachelor of Arts degree majoring in Public Relations, from RMIT University, Melbourne. In August 2006, William was finalist in the Ernst & Young Entrepreneur of the Year Awards – Young Category.

He is a member of the Board's Nomination and Remuneration Committee and Mergers and Acquisitions Committee.

During the past three years Mr Scott has not served as a director of any other listed companies.

Mr Jordan K Muir B. Business (Marketing) (Executive Director and Chief Operating Officer)

Jordan is both an executive director and COO of Commquest Limited. Prior to this Jordan was a co-founder with William Scott and is currently The Chief Executive Officer of Sales Marketing and Real Technologies – Smart Pty Ltd. Jordan has played an integral part in building and developing the information technology and accounting systems that have facilitated The Smart Group in becoming one of Australia's fastest growing marketing companies.

Jordan has worked on a number of integrated marketing campaigns with companies including News Limited, Optus, Vodafone, MCI Worldcom and a list of other telecommunications and electricity providers. In his position he has developed systems that manage large amounts of data, sales distribution and commissions.

Jordan holds a Bachelor of Business majoring in Marketing from Monash University, Melbourne.

He is a member of the Board's Mergers and Acquisitions Committee.

During the past three years Mr Muir has not served as a director for any other listed companies.

Mr Eric B Coulson (Executive Director and Chief Marketing Officer)

Boyd is currently an executive director and the CMO of Commquest Limited. Prior to this, Boyd started as a graphic designer before studying advertising at RMIT and winning the RMIT Sexton Media Strategy Award. Boyd started at Mitchell Media in a media planning and buying role. Boyd then joined DMB&B in the media department before going to a new advertising agency, Mattingly & Partners in Sydney. Boyd then came back to Melbourne to join Leo Burnett Connaghan & May before joining Optimedia where he worked as a strategist.

Through his experiences, Boyd developed an interest in analysing the behavioural side of marketing results, through econometrics and model building. During his time at Optimedia, Boyd received a number of media effectiveness awards.

In 2001, Boyd and Kelly Addis created BoilerRoom and were later joined by Jonathon Noal. Boyd has been with BoilerRoom as Strategic Planning Director since its inception and seen it grow to a team of over 30 professionals. BoilerRoom has received numerous awards including winner of the 2006 AdNews Direct Agency of the Year and was finalist in the 2006 AdNews Agency of the Year.

He is a member of the Board's Audit and Risk Committee.

During the past three years Mr Coulson has not served as a director for any other listed companies.

Mr Paul X Tobin B.Arts (Political Science & History), Doctorate of Law (Non-Executive Director)

Paul is currently a non-executive director for Commquest Limited. Prior to this, Paul has had an executive career in Australia and overseas focused on growing companies by the successful purchase and integration of complementary businesses. Paul has over 20 years global senior executive experience in mergers and acquisitions, operations, integration, change management, corporate strategy, customer and investor relations, dispute resolution and electronic commerce.

His most recent executive role was as Chief Legal Officer and Company Secretary of Computershare Ltd (ASX: CPU), a company that grew in revenue over six fold during his seven year tenure, primarily through acquisitions.

He is Chairman of the Board's Nomination and Remuneration Committee and Chairman of the Board's Mergers and Acquisitions Committee.

During the past three years Mr Tobin has not served as a director for any other listed companies.

Mr Thomas O'Brien AM, B. Commerce (Hons), B. Economics., F.C.A, F.C.P.A. (Non-Executive Director)

Tom is currently a non-executive director of Commquest Limited. Prior to this, Tom was Chief Executive Officer for Ernst & Young in Melbourne for 12 years and Chairman of Ernst & Young Australia in 1995 and 1996. Before his involvement in the management of Ernst & Young, Tom was a leading corporate tax and corporate finance partner.

Tom is Chairman of CCI Investment Management Ltd, Domaines Tatiarra Ltd and the listed company, Ascent Pharmahealth Ltd. He is also Director of UltraPay Limited, Newzeal Ltd and Virtual Communities Limited.

Tom was admitted as a Member of the Order of Australia in 2002 for his work with religious and charitable organisations and contribution to business.

He is Chairman of the Board's Audit and Risk Committee.

During the past three years Mr O'Brien has also served as a director of the following other listed companies:

- Ultra Pay Limited – Appointed June 2000*
- Ascent Pharmahealth Ltd – Appointed April 2004*

*Denotes current directorship

Directors' Report (continued)

30 June 2008

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Commquest Limited were:

	Number of Ordinary Shares	Number of Preference Shares	Number of Options over Ordinary Shares
Mr J Hall	335,000	Nil	Nil
Mr W Scott	13,794,418	Nil	150,000
Mr J Muir	12,989,430	Nil	112,500
Mr B Coulson	2,197,840	Nil	112,500
Mr P Tobin	200,000	Nil	80,000
Mr T O'Brien	Nil	Nil	80,000

Company Secretaries

Mr Jonathon Meredith-Smith B. Business. C.P.A.

J Meredith-Smith is joint company secretary of Commquest Limited and the Company's Chief Financial Officer.

Ms Sophie Karzis B. Juris, LLB

S Karzis is joint company secretary of Commquest Limited.

Dividends

No dividends were paid or declared during the year ended 30 June 2008.

Principal Activities

The principal activities during the year of entities within the consolidated entity were:

- Direct marketing
- Advertising and Communications
- Digital and mobile marketing

Operating and Financial Review

Commquest Pty Ltd was incorporated on 2 January 2007. From that date until 15 November 2007, the date it was listed on the ASX, it remained dormant and did not trade. Following its listing on the ASX and the acquisition of the portfolio companies, it commenced its business operations and continues as an ongoing concern.

During the year ended 30 June 2008, the Directors identified that the business combination between CommQuest and the portfolio companies constituted a reverse acquisition as defined under Accounting Standard AASB 3 Business Combinations. Therefore one of the portfolio companies, Sales Marketing and Real Technologies – SMART Pty Ltd, was identified as the acquirer. Commquest Limited is the legal parent and all of the portfolio companies, including Sales Marketing and Real Technologies – SMART Pty Ltd, are legal subsidiaries.

The consolidated financial statements for the year ended 30 June 2008 have therefore been issued under the name of the legal parent, Commquest Limited, but represent a continuation of the financial statements of the legal subsidiary, Sales Marketing and Real Technologies – SMART Pty Ltd as the deemed acquirer for accounting purposes.

The comparative results for 2007 are for the existing Sales Marketing and Real Technologies – SMART Pty Ltd and the consolidated figures for 2008 show the results for the new SMART group (comprising Sales Marketing and Real Technologies – SMART Pty Ltd, The Advertising Centre Pty Ltd, SMART PR Corporation Pty Ltd, IBS Unit Trust / Impulse Business Solutions Pty Ltd) for the 12 months to 30 June 2008, which includes the results of the other entities from the applicable acquisition dates.

Direct Marketing

The direct marketing segment is primarily made up of three businesses within the organisation, being The Smart Group, Austral Media Group and BoilerRoom Direct. This segment has proficiencies in customer acquisition, contact centre solutions, custom publishing and direct marketing campaigns.

The current year has been relatively good for the direct marketing division of the Group with year on year revenue growth up 38% and year on year EBITDA growth up 88%. Segment Sales were $26.2 million for the period ending 30 June 2008 with strong revenue growth coming through in the latter part of the financial period due to some timing delays on key client campaigns.

Advertising and Communications

The advertising and communications segment consists of a number of businesses within the Group, being BoilerRoom Group, Think Creative, PyroMedia, Point9, Channel Financial Communication and Shac. This segment specialises in advertising, events, media planning, analysis, financial communications and public relations. This segment has experienced steady growth throughout the year as a whole with Sales from this Segment being $9.3 million and EBITDA of $0.592 million for the period ending 30 June 2008 with only some timing delays in a couple of contracts restricting stronger growth in this Segment towards the end of this period.

Digital and Mobile Marketing

The digital and mobile marketing segment consists of businesses within the Group such as Next Digital Group, SMS Central Australia, Impulse Business Solutions, Platinum TV and Inspirus. This segment specialises in digital marketing and strategy, mobile marketing, premium and standard SMS/MMS solutions including aggregation, as well as digital public content provisioning. This segment has experienced very strong growth throughout the year as a whole with the Sales from this Segment being $19.9 million and EBITDA of $4.4 million for the period ending 30 June 2008 with exceptional performances noted through both Impulse Business Solutions and the acquisition of Web Development Group (Next Digital).

Performance Indicators

Management and the Board monitor the Group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the Group against operating plans and financial budgets. The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor KPIs on a regular basis. Directors receive the KPIs for review prior to each monthly Board meeting allowing all directors to actively monitor the Group's performance.

Dynamics of the Business

With the Group listing on the ASX in November 2007, the market conditions in which the business operates have changed dramatically in what is a relatively short time period. The general market and economic conditions have significantly retracted which is evidenced in not only the share price of the Company itself, but the market as a whole and, in particular, the market comparables of CommQuest.

The Company, albeit having provided the market with a trading update as to its results for the pro forma period ending 30 June 2008 were below the Company's initial expectations, it remains operationally strong and in a very good position to continue to grow primarily due to its diversification in service offerings split across its three key segments.

Management believe that the Group as a whole has performed well in a slowing market which traditionally has not assisted in the growth of other businesses in the marketing and communications industry. However, CommQuest is positioned well going forward and management are cautiously confident of the Group's ability to continue its growth ambitions and to suitably mitigate any exposures a down-turning economy may have on the Group.

Directors' Report (continued)

30 June 2008

Operating Results for the Year

The year was an excellent period where the company's strategy of growth was achieved through the acquisition of more clients, the further expansion of existing clients and the acquisition of specialist marketing services businesses.

The Group's net profit for the year after income tax is $2,382,141 (2007: $643,447) representing an increase of 270% (2007: 210%) from the previous year. The acquisition of businesses during the year as detailed in note 28 to the financial statements has also assisted in the growth of the Group.

	2008 $	2007 $	Change %
Net profit from continuing operations	2,382,141	643,447	270

Summarised operating results are as follows:

Business Segments	2008 Revenues $	2008 Results $
Direct marketing	26,213,641	2,463,947
Advertising and communications	9,361,083	592,470
Digital and mobile marketing	19,971,522	4,427,159
Consolidated entity adjustments	(5,201,760)	–
Finance costs	–	(1,185,475)
Income tax expense	–	(1,322,151)
Non-segment and unallocated revenues	550,921	–
Non-segment and unallocated expenses	–	(2,593,809)
Consolidated entity revenue and profit for the year	50,895,407	2,382,141

Shareholder Returns

The Group is pleased to report that return to shareholders through capital growth has started to reflect the many initiatives put in place by management. This is reflected in the significant improvement in most financial measures for the current year. The Company will further elaborate on these measures in future updates to the market now that it has been trading for a significant period of time by which future Shareholder Returns will be suitably compared against.

Review of Financial Condition

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2008 of $6,405,251 (2007: $133,322). The increase in cash inflow in comparison with the prior year is the result of a number of factors. Operating activities generated $1,748,073 (2007: $1,019,286) of net cash in-flows. This increase in comparison to 30 June 2007 is largely due to funding of acquisitions of the subsidiaries which are disclosed in detail at Note 28 of the annual report resulting from the strategies implemented by the Board. This net increase in the cash flows from operating activities has been offset by a net increase in the amount of cash used for investing activities to $39,493,435 (2007: $1,172,726), which was mainly attributable to the acquisitions of subsidiaries which are disclosed in detail at Note 28 of the annual report. There was also a $44,150,613 cash inflow (2007: $286,762 cash inflow) from financing activities largely due to payments owed to Vendors of the acquisitions the Group made throughout the year.

Asset and capital structure

Debts	2008 Total Operations $	2007 Total Operations $
Trade and other payables	11,065,333	2,364,824
Interest bearing loans and borrowings	27,834,675	1,732,646
Cash and cash equivalents	(6,542,406)	(137,155)
Net debt	32,357,602	3,960,315
Total equity	41,801,958	785,716
Total capital employed	74,159,560	4,746,031
Gearing	44%	83%*

Gearing

The level of gearing in the Group at June 2008 is within the acceptable limits set by the directors. Management's policies for determining whether fixed or floating rates of interest are entered into are examined on a yearly basis.

* The level of gearing for the year ended 30 June 2007 represents when the company was private company.

Share issues during the year

The following acquisitions were funded by both cash and by the issue of ordinary shares.

Entity	Fair value/ Consideration Cash $	Shares #	Share issue price $
The Advertising Centre Pty Ltd	–	–	–
SMART PR Corporation Pty Ltd	137,257	137,257	1.00
IBS Unit Trust*	–	–	–
Impulse Business Solutions Pty Ltd	4,325,031	4,325,031	1.00
Shac Pty Ltd	235,606	277,184	1.00
SMS Central Australia Pty Ltd *	1,000,000	–	–
PyroMedia Pty Ltd	72,500	72,500	1.00
Think Creative Management Pty Ltd	874,554	874,554	1.00
BoilerRoom Group Pty Ltd	3,675,835	3,675,835	1.00
BoilerRoom Direct Pty Ltd (subsidiary of BoilerRoom Group PL)	2,107,736	2,107,736	1.00
BoilerRoom Interactive Pty Ltd (subsidiary of BoilerRoom Group PL)	–	–	–
Bland Consulting Pty Ltd (subsidiary of BoilerRoom Group PL)	–	–	–
Channel Financial Communication Pty Ltd	2,225,000	2,352,636	1.17
Web Development Group Pty Ltd and controlled entities	10,000,000	7,423,580 1,310,044	0.62 0.53
Austral Media Group Pty Ltd	2,756,250	2,756,250	0.48
Platinum TV Pty Ltd	400,000	–	–
Point9 Pty Ltd	–	–	–
Inspirus Pty Ltd	1,278,104	142,011	0.45

* At 30 June 2008, the Group has recognised a deferred settlement obligation in respect of these entities and accordingly as at the date of this report, no additional cash or shares had been issued.

Directors' Report (continued)

30 June 2008

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process of identifying risks and opportunities, once matters are identified which require further attention, these are delegated to the Audit and Risk Committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

Significant Changes in the State of Affairs

The company secured a $44 million Debt facility with ANZ in November 2007; the facility subsequently increased in February 2008 to $48.1 million. $35 million will be used to fund acquisitions and $13.1 million will be used for operational funding requirements. Drawdowns at 30 June 2008 totalled $26.98 million and to the date of this report total $25.88 million.

The company completed the following acquisitions in the 6 months to June 2008:

- Web Development Group Pty Ltd share acquisition completed on 19 February 2008.
- Platinum TV Pty Ltd part share acquisition completed on 23 May 2008.
- Point9 Pty Ltd share acquisition completed on 1 June 2008.
- Austral Media Group Pty Ltd share acquisition completed on 2 June 2008.
- Inspirus Pty Ltd business acquisition completed on 16 June 2008.

In May 2008 the company acquired 20% of the issued capital of Platinum TV Pty Ltd "Platinum TV" with a commitment to acquire the remaining 80% over the next four to five years. The remaining 80% will be achieved in 3 tranches and will dependent on Platinum TV achieving specific financial performance hurdles. If these are not met then the company has the right to terminate the agreement.

In June 2008 the company entered into a binding sale agreement to acquire the business of Infodial Australia Pty Ltd which was not yet completed at the date of this report.

Significant Events After the Balance Date

The company completed the acquisition of MobiData Holdings Ltd "MobiData" on 1 July 2008. Purchase consideration was made up of a pre-completion payout of $200,000, used to secure the transaction, paid in April 2008, subject to specific conditions set out in the sale agreement, a deferred payment and an application revenue payment. The application revenue payment is to be equal to 50% of the revenues generated for a 30 month period from the acquired application software launch date. The maximum amount payable by the company is capped at $16,000,000. The deferred payment element of the purchase consideration will only be payable if the application revenue paid by the company is less than $100,000 for the period from the launch date to 24 December 2008. The deferred payment is calculated by subtracting application revenue paid from $100,000 with the difference payable on or before 14 January 2009.

CommQuest has reached agreement to place 14.5 million new CommQuest shares with investment funds managed by LCWIM at 25 cents each, raising $3.63 million. This will represent 15% of CommQuest's post-placement issued capital. Proceeds will initially be applied in the reduction of the Company's existing debt.

Of the 14.5 million of shares being placed, 4.91 million will be issued on or about 1 September 2008 with the balance subject to CommQuest shareholder approval, which will be sought at the Company's AGM in November of this year. The Company is permitted to issue up to 15% of its capital in a 12 month period without shareholder approval and as the company has already issued/is required to issue 7.13 million shares as consideration payable in relation to the businesses acquired at and after IPO (for which no waiver of ASX Listing Rule 7.1 applies), CommQuest shareholder approval will be required for part of the placement.

Likely Developments and Expected Results

The CommQuest Group has started the new year well with the Group expected to significantly outperform 2008. CommQuest will continue to invest in consolidating and improving the systems, processes and infrastructure of its businesses so as to support the growth and sustainability of its domestic and emerging international businesses. Information on future developments in the Group's operations and expected results of operations have not been included in this report, as the directors believe that this would be likely to result in unreasonable prejudice to the company.

Share Options

Unissued Shares

As at the date of this report, there were 750,000 unissued ordinary shares under options (750,000 at the reporting date). Refer to note 26 of the financial statements for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, there were no options exercised to acquire fully paid ordinary shares in Commquest Limited.

Indemnification and Insurance of Directors and Officers

CommQuest has entered into a Deed of Access, Insurance and Indemnity that grants each Director a contractual right to:

- indemnity from CommQuest for liabilities incurred as an officer of CommQuest (and if applicable, other entities within the Group) (to the extent permitted by the Corporations Act);
- directors' and officers' insurance cover (to the extent permitted by the Corporations Act) for the period that the relevant Director is a director of CommQuest (and it applicable other entities within the Group) and for 7 years after that Director ceases to hold office; and
- access to documents and records of CommQuest and any other entity within the Group, both while the relevant Director is a director of CommQuest (and if applicable, other entities within the Group) and after that Director ceases to hold office for the purposes expressly permitted by the deed.

Directors' Report (continued)

30 June 2008

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

		Meetings of Committees		
	Directors' Meetings	Audit and Risk	Mergers and Acquisitions	Nomination and Remuneration
Number of meetings held	8	2	2	–
Number of meetings attended:				
Mr J Hall	7	2	–	–
Mr W Scott	8	–	2	–
Mr J Muir	8	–	2	–
Mr B Coulson	7	2	–	–
Mr P Tobin	8	–	2	–
Mr T O'Brien	8	2	–	–

All directors were eligible to attend the Directors' Meetings held and the relevant Committee members were eligible to attend all of the Committee Meetings held.

Committee membership

As at the date of this report, the company had an Audit and Risk Committee, a Nomination and Remuneration Committee and a Mergers and Acquisitions Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit and Risk	Nomination and Remuneration	Mergers and Acquisitions
Mr T O'Brien *	Mr P Tobin *	Mr P Tobin *
Mr J Hall	Mr J Hall	Mr W Scott
Mr B Coulson	Mr W Scott	Mr J Muir

* Designates the chairman of the committee

Auditor Independence and Non-Audit Services

The directors received the following declaration from the auditor of Commquest Limited.

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of Commquest Limited

In relation to our audit of the financial report of Commquest Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Brumley

Don Brumley
Partner
29 August 2008

Directors' Report (continued)

30 June 2008

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	26,554
IPO services	1,068,428

Remuneration Report (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and company secretaries of the Parent and the Group.

Details of key management personnel (including the five highest paid executives of the Company and the Group)

(i) Directors

J.A. Hall	Chairman (Non-Executive)
W.H.A. Scott	Chief Executive Officer
J.K. Muir	Chief Operating Officer
E.B. Coulson	Chief Marketing Officer
P.X. Tobin	Director (Non-Executive)
T. O'Brien AM	Director (Non-Executive)

(ii) Executives

Mr J Meredith-Smith	Chief Financial Officer
Mr F Dunton	Head of Mobile Marketing
Mr A Spanos *	Managing Director, Next Digital Group
Mr P Kelly **	Director, Channel Financial Communication
Mr B Shaw	Corporate Manager
Ms K Palethorpe ***	Corporate Lawyer
Mr R Ramnarain	National Operations Manager, The Smart Group
Mr D Stewart	National Sales Manager, The Smart Group

* Key management person from 19 February 2008
** Key management person from 1 January 2008
*** Key management person from 3 December 2007

Nomination and Remuneration Committee

The Nomination and Remuneration Committee will ideally comprise at least three Directors, a majority of whom are independent directors.

The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure CommQuest:

(i) has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

(ii) has coherent remuneration policies and practices to attract and retain executives and Directors who will create value for shareholders;

(iii) observes those remuneration policies and practices; and

(iv) fairly and responsibly rewards executives having regard to the performance of CommQuest, the performance of the executives and the general remuneration environment in markets in which it operates.

The Nomination and Remuneration Committee is responsible for matters including identifying and recommending to the Board nominees for membership of the Board including the CEO and ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans.

In relation to remuneration, the Nomination and Remuneration Committee is responsible for matters including reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices and annually considering, approving and recommending to the Board both executive and non-executive remuneration.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The determination of the current level of remuneration received by non-executive directors was based on market levels of compensation for comparable non-executive roles with an aggregate remuneration of $154,500 per year (2008: $128,401).

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure will be reviewed annually. The Board will consider the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Directors' Report (continued)

30 June 2008

Each non-executive director receives a base fee of $45,000 for being a director of the Group. An additional fee of $9,014 is paid to the Chair of the Board of Directors. The payment of additional fees recognises the additional time commitment required by the non-executive director to be Chairman of the Board of Directors.

The remuneration of non-executive directors for the period ending 30 June 2008 and 30 June 2007 is detailed in table 1 and 2 respectively of this report.

Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee considers the market levels of compensation for comparable executive roles and then set the relevant compensation amounts accordingly.

The Nomination and Remuneration Committee has entered into a detailed contract of employment with the Chief Executive Officer and a standard contract with other executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration
  – short term incentive (STI); and
  – long term incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in table 1.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee. The process consists of a review of company, business unit and individual performance.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of executives is detailed in table 1.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, product management, and leadership/team contribution. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPIs, the Nomination and Remuneration Committee, in line with its responsibilities, determines the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within three months after the reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Nomination and Remuneration Committee. Payments made are delivered as a cash bonus in the following reporting period.

STI bonus for 2007 and 2008 financial years

The bonuses that have been paid during the period relate to the specific performance of the individuals that have received those bonuses and are tied to relevant financial measurements such as profit and/or revenue generation. The bonuses are calculated either on a monthly, quarterly or annual basis and are paid or become payable when the Company becomes reasonably aware that the relevant financial measurement targets have been achieved by the particular individuals eligible to receive bonuses.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of share options under the Employee Share Option Plan. Share options are granted to executives with more than 12 months service. The share options will vest over a period of two years subject to meeting performance hurdles, with no opportunity to retest. Executives are able to exercise the share options for up to three years after vesting before the options lapse.

Performance Hurdle

The company uses options held over ordinary shares in the Company as the performance hurdle for the LTI plan. Options were selected as the LTI performance hurdle as it ensures that long term goals of directors and key executives is centred around building share price and hence shareholder value and that key people within the organisation would be rewarded on that basis.

In assessing whether the performance hurdles for each grant have been met, the Group takes into consideration the rules of its Executive Option and Share Plan as well as the performance of the Company, particularly from the point of view as to increase in its share price over time.

Table 3 provides details of LTI options granted and the value of options granted, exercised and lapsed during the year.

Employment Contracts

All executives have rolling contracts. The company may terminate the executive's employment agreement by providing eight weeks written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On termination on notice by the company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited. The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Directors' Report (continued)

30 June 2008

Table 1: Remuneration for the year ended 30 June 2008

	Short-term				Post Employ-ment	Long Term	Share-Based Payment	Total	Perform-ance related
	Base Salary	Director fees	Cash bonus	Other	Super-annuation	Long Service Leave	Options		
	$		$	$	$	$	$	$	%
Non-executive directors									
Mr J Hall	–	45,833	–	100,000 *	8,181	–	–	154,014	–
Mr T O'Brien	–	41,284	–	–	3,716	–	11,782	56,782	–
Mr P Tobin	–	41,284	–	–	3,716	–	11,782	56,782	–
Sub-total non-executive directors	**–**	**128,401**	**–**	**100,000**	**15,613**	**–**	**23,564**	**267,578**	**–**
Executive directors									
Mr W Scott	240,229	–	–	101,288 **	15,233	–	22,092	378,842	–
Mr J Muir	200,688	–	–	68,048 **	14,506	–	16,569	299,811	–
Mr B Coulson	100,917	–	–	6,600 **	6,565	–	16,569	130,651	–
Other key management personnel									
Mr J Meredith-Smith	151,823	–	–	–	12,289	–	11,046	175,158	–
Mr F Dunton	109,386	–	–	–	9,316	–	8,837	127,539	–
Mr A Spanos	95,833	–	–	–	14,130	–	–	109,963	–
Mr P Kelly	101,679	–	75,000	–	23,321	–	–	200,000	36.17
Mr B Shaw	104,799	–	21,000	–	11,227	–	8,837	145,863	14.40
Ms K Palethorpe	67,385	–	26,000	–	9,449	–	–	102,834	27.56
Mr R Ramnarain	115,596	–	96,986	–	15,442	–	–	228,024	46.36
Mr D Stewart	53,988	–	108,487	18,666 **	13,658	–	–	194,799	60.70
Sub-total executive KMP	**1,342,323**	**–**	**327,473**	**194,602**	**145,136**	**–**	**83,950**	**2,093,484**	
Totals	**1,342,323**	**128,401**	**327,473**	**294,602**	**160,749**	**–**	**107,514**	**2,361,062**	

* Mr J Hall received shares as part of his remuneration.
** Other benefits consisted of payments made by the Company for motor vehicles and/or rental property/staff accommodation on behalf of identified key management personnel.

Table 2: Remuneration for the year ended 30 June 2007

The comparative information provided below represents that of the legal subsidiary Sales Marketing and Real Technologies – SMART Pty Ltd alone.

	Short-term			Post Employ-ment	Long Term	Share-Based Payment	Total	Perform-ance related
	Base Salary	Cash bonus	Other	Super-annuation	Long Service Leave			
	$	$	$	$	$	$	$	%
Non-executive directors								
Mr J Hall	–	–	–	–	–	–	–	–
Mr T O'Brien	–	–	–	–	–	–	–	–
Mr P Tobin	–	–	–	–	–	–	–	–
Sub-total non-executive directors	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Executive directors								
Mr W Scott	54,494	–	179,893	4,904	–	–	239,291	–
Mr J Muir	54,494	–	165,269	4,904	–	–	224,667	–
Mr B Coulson	–	–	–	–	–	–	–	–
Other key management personnel (KMP)								
Mr J Meredith-Smith	82,319	–	22,500	7,409	–	–	112,228	–
Mr F Dunton	–	–	–	–	–	–	–	–
Mr A Spanos	–	–	–	–	–	–	–	–
Mr P Kelly	–	–	–	–	–	–	–	–
Mr B Shaw	47,636	–	–	4,287	–	–	51,923	–
Ms K Palethorpe	–	–	–	–	–	–	–	–
Mr R Ramnarain	–	210,192	–	–	–	–	210,192	100.00
Mr D Stewart	49,753	91,126	9,552	12,679	–	–	163,110	60.90
Sub-total executive KMP	**288,696**	**301,318**	**377,214**	**34,183**	**–**	**–**	**1,001,411**	
Totals	**288,696**	**301,318**	**377,214**	**34,183**	**–**	**–**	**1,001,411**	

Directors' Report (continued)

30 June 2008

Table 3: Compensation options: Granted and vested during the year (Consolidated)

	Granted		Terms and Conditions for each Grant					Vested	
30 June 2008	**No.**	**Grant Date**	**Fair Value per option at grant date (note 26) ($)**	**Exercise price per option (note 26) ($)**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**	**No.**	**%**
Mr W Scott	75,000	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	75,000	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr T O'Brien	40,000	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	40,000	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr P Tobin	40,000	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	40,000	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr J Muir	56,250	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	56,250	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr B Coulson	56,250	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	56,250	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Executives									
Mr J Meredith-Smith	37,500	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	37,500	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr B Shaw	30,000	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	30,000	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr H Anderson	10,000	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	10,000	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr F Dunton	30,000	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	30,000	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Mr M Herchenbach *	22,500	1/10/2007	0.37	1.00	30/09/2012	1/10/2009	30/09/2012	–	–
	22,500	1/10/2007	0.41	1.30	30/09/2012	1/10/2009	30/09/2012	–	–
Total	**795,000**								

* Mr M Herchenbach resigned on 23 November 2007, granted options had not yet vested and accordingly were forfeited.

Nil options issued in the year ended 30 June 2007.

Table 4: Options granted as part of remuneration

	Value of options granted during the year	Value of options exercised during the year	Value of options forfeited during the year	Remuneration consisting of options for the year
	$	$	$	%
Mr W Scott	22,092	–	–	5.8
Mr T O'Brien	11,782	–	–	20.7
Mr P Tobin	11,782	–	–	20.7
Mr J Muir	16,569	–	–	5.5
Mr B Coulson	16,569	–	–	12.7
Mr J Meredith-Smith	11,046	–	–	6.3
Mr B Shaw	8,837	–	–	6.1
Mr F Dunton	8,837	–	–	6.9
Mr Herchenbach	6,627	–	6,627	–
Mr Anderson	2,946	–	–	–
Total	**117,087**	**–**	**6,627**	

For details on the valuation of the options, including models and assumptions used, please refer to note 27.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date and there was one forfeiture by M. Herchenbach.

There were no shares issued on exercise of compensation options during the current or prior periods.

Signed in accordance with a resolution of the Directors:

Mr. W Scott
Director

29 August 2008

Mr J Hall
Chairman

29 August 2008

Income Statement

for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Rendering of services		50,042,010	18,997,154	459,130	–
Other revenue	6	853,397	–	91,792	–
Revenue		**50,895,407**	**18,997,154**	**550,922**	**–**
Depreciation and amortisation	7c	1,097,100	227,464	30,112	–
IT and telecommunications		2,850,897	390,147	161,853	2,000
Operating lease rental		943,528	276,835	–	–
Advertising		3,930,855	183,142	612,928	–
Consulting fees		1,529,868	210,192	856,753	–
Motor vehicle expenses		806,573	640,511	542	–
Occupancy		1,797,929	449,951	103,752	–
Employee benefits expenses	7d	20,371,895	5,669,355	1,202,676	88,827
Contractor expenses		8,332,896	6,951,572	88,134	–
Finance costs	7b	1,185,475	207,166	993,619	–
Travel and accommodation		1,081,456	636,810	39,833	–
Other expenses	7a	3,264,551	2,054,342	152,286	3,824
Share of profit/(loss) of an associate	13	1,908	13,556	–	–
PROFIT/(LOSS) BEFORE INCOME TAX		**3,704,292**	**1,113,223**	**(3,691,566)**	**(94,651)**
INCOME TAX BENEFIT/(EXPENSE)	8	**(1,322,151)**	**(469,776)**	**1,073,881**	**–**
PROFIT/(LOSS) AFTER INCOME TAX		**2,382,141**	**643,447**	**(2,617,685)**	**(94,651)**
ATTRIBUTABLE TO: MEMBERS OF COMMQUEST LIMITED		**2,382,141**	**643,447**	**(2,617,685)**	**(94,651)**
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company	9				
Basic earnings per share		4.85	2.41		
Diluted earnings per share		4.85	2.41		

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

Balance Sheet

at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
CURRENT ASSETS					
Cash and cash equivalents	10	6,542,406	137,155	1,652,336	–
Other receivables	11	8,503,732	2,580,020	22,490,861	60,456
Trade and other receivables	12	12,469,410	1,418,347	46,021	–
TOTAL CURRENT ASSETS		**27,515,548**	**4,135,522**	**24,189,218**	**60,456**
NON-CURRENT ASSETS					
Investments in associates	13	401,000	37,598	400,000	–
Investments in subsidiaries	14	–	300	79,476,701	–
Deferred tax assets	8	2,076,498	99,950	729,571	–
Plant and equipment	15	2,763,532	1,043,663	472,109	–
Goodwill and other intangible assets	16	60,111,990	343,068	255,999	–
TOTAL NON-CURRENT ASSETS		**65,353,020**	**1,524,579**	**81,334,380**	**–**
TOTAL ASSETS		**92,868,568**	**5,660,101**	**105,523,598**	**60,456**
CURRENT LIABILITIES					
Trade and other payables	17	11,065,333	2,364,824	1,479,778	155,105
Interest bearing liabilities	18	5,842,574	1,306,227	3,250,000	–
Deferred settlement obligations	19	5,548,298	–	4,587,180	–
Provisions	20	1,384,113	107,424	35,529	–
Income tax payable	8	2,415,757	664,476	2,415,757	–
TOTAL CURRENT LIABILITIES		**26,256,075**	**4,442,951**	**11,768,244**	**155,105**
NON-CURRENT LIABILITIES					
Interest bearing liabilities	18	21,992,101	426,419	21,504,351	–
Deferred tax liabilities	8	2,534,678	–	–	–
Provisions	20	283,756	5,015	–	–
TOTAL NON-CURRENT LIABILITIES		**24,810,535**	**431,434**	**21,504,351**	**–**
TOTAL LIABILITIES		**51,066,610**	**4,874,385**	**33,272,595**	**155,105**
NET ASSETS		**41,801,958**	**785,716**	**72,251,003**	**(94,649)**
EQUITY					
Contributed equity	22	39,309,359	400	74,852,881	2
Reserves	23	110,458	–	110,458	–
Retained earnings		2,382,141	785,316	(2,712,336)	(94,651)
TOTAL EQUITY		**41,801,958**	**785,716**	**72,251,003**	**(94,649)**

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

Cash Flow Statement

for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		**49,265,832**	18,703,268	**459,022**	–
Payments to suppliers and employees (inclusive of GST)		**(45,464,813)**	(17,476,816)	**(1,940,533)**	–
Income tax received/(paid)		**(811,947)**		**–**	–
Interest received		**134,615**	–	**91,792**	–
Interest paid		**(1,375,614)**	(207,166)	**(1,183,758)**	–
NET CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES	24	**1,748,073**	**1,019,286**	**(2,573,477)**	**–**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		**(1,130,639)**	(816,618)	**(502,221)**	–
Purchase of intangible assets		**(1,025,669)**	(330,766)	**(255,999)**	–
Acquisition of investment		**(66,666)**	(25,342)	**(66,666)**	–
Acquisition of business		**(1,275,798)**	–	**–**	–
Acquisition of subsidiaries		**(26,331,087)**	–	**(32,318,013)**	–
Distribution of equity		**(8,878,260)**	–	**–**	–
Distribution to shareholders of accounting parent		**(785,316)**	–	**–**	–
NET CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		**(39,493,435)**	**(1,172,726)**	**(33,142,899)**	**–**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**25,272,551**	168,331	**24,754,350**	–
Repayment of borrowings		**(7,649,039)**	118,231	**(13,912,642)**	–
Proceeds from issue of shares		**30,257,694**	200	**30,257,597**	–
Share issue costs		**(3,730,593)**	–	**(3,730,593)**	–
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**44,150,613**	**286,762**	**37,368,712**	**–**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,405,251**	**133,322**	**1,652,336**	**–**
Cash and cash equivalents at beginning of period		**137,155**	3,833	**–**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10	**6,542,406**	**137,155**	**1,652,336**	**–**

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

Statement of Changes in Equity

for the year ended 30 June 2008

	Note	Contributed Equity $	Reserves $	Retained Earnings $	Total $
CONSOLIDATED					
As at 1 July 2006		**200**	**–**	**141,869**	**142,069**
Profit/(loss) for the year		–	–	643,447	643,447
Proceeds from issue of shares	22	200	–	–	200
As at 30 June 2007		**400**	**–**	**785,316**	**785,716**
As at 1 July 2007		**400**	**–**	**785,316**	**785,716**
Profit/(loss) for the year		–	–	2,382,141	2,382,141
Proceeds from issue of shares – IPO	22	32,849,432	–	–	32,849,432
Proceeds from issue of shares – Post IPO	22	9,295,278	–	–	9,295,278
Share issue costs		(3,730,593)	–	–	(3,730,593)
Retained earnings distribution		–	–	(785,316)	(785,316)
Deferred tax in relation to share issue costs		894,842	–	–	894,842
Share-based payments	27	–	110,458	–	110,458
As at 30 June 2008		**39,309,359**	**110,458**	**2,382,141**	**41,801,958**
PARENT					
As at 1 July 2006		**2**	**–**	**–**	**2**
Profit/(loss) for the year		–	–	(94,651)	(94,651)
Proceeds from issue of shares	22	–	–	–	–
As at 30 June 2007		**2**	**–**	**(94,651)**	**(94,649)**
As at 1 July 2007		**2**	**–**	**(94,651)**	**(94,649)**
Profit/(loss) for the year		–	–	(2,617,685)	(2,617,685)
Proceeds from issue of shares – IPO	22	68,393,352	–	–	68,393,352
Proceeds from issue of shares – Post IPO	22	9,295,278	–	–	9,295,278
Share issue costs		(3,730,593)	–	–	(3,730,593)
Deferred tax in relation to share issue costs		894,842	–	–	894,842
Share-based payments	27	–	110,458	–	110,458
As at 30 June 2008		**74,852,881**	**110,458**	**(2,712,336)**	**72,251,003**

Notes to the Financial Statements

For the year ended 30 June 2008

1 Corporate information

The financial report of Commquest Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 29 August 2008. Commquest Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report and note 5.

2 Summary of significant accounting policies

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

Except for the amendments arising from AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have a defined benefit pension plan and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB 2007-9	Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31	The amendments were issued as a result of the review of AAS 27 Financial Reporting by Local Governments, AAS 29 Financial Reporting by Government Departments and AAS 31 Financial Reporting by Governments and largely relocates these industry-based standards to topic-based standards.	1 July 2008	These amendments are only applicable to the public sector and as such are not expected to have any impact on the Group's financial report.	1 July 2008

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1004 (revised)	Contributions	This standard contains the original requirements on contributions from AASB 1004 as issued in July 2004, as well as the requirements on contributions from AASs 27, 29 and 31 substantively unamended (with some exceptions).	1 July 2008	Refer to AASB 2007-9 above.	1 July 2008
AASB Int. 1038 (Revised)	Contributions by Owners Made to Wholly-Owned Public Sector Entities	This interpretation has been revised as a consequence of revised AASB 1004.	1 July 2008	Refer to AASB 2007-9 above.	1 July 2008
AASB 1049	Whole of Government and General Government Sector Financial Reporting	New standard to address differences between Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS).	1 July 2008	Refer to AASB 2007-9 above.	1 July 2008
AASB 1050	Administered Items	This standard contains the requirements for the disclosure of administered items from AAS 29, substantively unamended (with some exceptions).	1 July 2008	Refer to AASB 2007-9 above.	1 July 2008
AASB 1051	Land Under Roads	This standard contains the specific transitional requirements relating to land under roads. It applies to general purpose financial reports of local governments, government departments and whole of governments and financial statements of GGSs.	1 July 2008	Refer to AASB 2007-9 above.	1 July 2008

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1052	Disaggregated Disclosures	This standard contains the requirements for the reporting of disaggregated information by local governments from AASs 27 and 29, substantively unamended (with some exceptions).	1 July 2008	Refer to AASB 2007-9 above.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments will most likely not be reported.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amend-ments to Inter-national Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amend-ments to Inter-national Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amend-ments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009

* designates the beginning of the applicable annual reporting period

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Adoption of new accounting standard

The Group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable to the Group on 1 July 2007, including comparative disclosures. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

(c) Basis of consolidation

Commquest Limited ('CommQuest') was incorporated on 2 January 2007.

For the purpose of preparing the CommQuest consolidated financial statements, the acquisition of the portfolio companies has been accounted for as a reverse acquisition, with Sales Marketing and Real Technologies – SMART Pty Ltd ('SMART') identified as the acquirer in accordance with AASB 3 Business Combinations. The CommQuest consolidated accounts are presented as a continuation of the SMART consolidated group (the 'Group').

The initial accounting for the business combinations of Channel Financial Communication Pty Ltd, Web Development Group Pty Ltd and Austral Media Group Pty Ltd have only been determined provisionally because the valuations necessary for applying the purchase method are still being finalised by an independent valuer. For the purposes of the consolidated balance sheet the assets and liabilities have been recorded at their provision fair values and excess consideration paid over the provisional fair values has been allocated to goodwill. Under Australian Accounting Standards, CommQuest has 12 months from the date of acquisition to complete its initial acquisition accounting.

Any adjustments to fair values, including tax adjustments, will have an equal and opposite impact on the goodwill recorded on acquisition. Accordingly, any such adjustments will have no impact on the aggregate of the net assets of Commquest Limited, but could have a material impact on any potential amortisation charges in the current and future financial periods.

The consolidated financial statements of CommQuest include the financial statements of CommQuest, its legal subsidiaries and Shac Pty Ltd which is 20% owned by CommQuest. Shac Pty Ltd has been consolidated as the company is controlled by CommQuest. The consolidation process eliminates all inter-entity accounts and transactions. The financial statements of all subsidiaries are prepared for the same reporting period.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

For the purpose of calculating earnings and dividends per share, it is the ordinary shares of the legal parent, CommQuest, that is used.

(d) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents defined above.

(e) Trade and other receivables

Trade receivables, which generally have between 14-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(f) Investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at cost in the parent company's separate financial statements and subsequently are measured at the lower of cost and recoverable amount.

Investments in associates are accounted for using the equity method in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as dividend revenue in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(g) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	2008	2007
Fixtures and fittings	4 to 7 years	4 to 7 years
Plant and equipment	3 to 4 years	3 to 4 years
Motor vehicles	4 to 7 years	4 to 7 years
Leasehold improvements	4 to 7 years	4 to 7 years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment losses are recognised in the income statement as a separate expense category.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(h) Goodwill and other intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The Group performs its impairment testing at approximately the same time each year using a value in use, discounted cash flow methodology. However, for acquisitions made during the current reporting period, the carrying value is considered a reasonable approximation of fair value less costs to sell in the absence of evidence to the contrary such as specific events or market conditions that occur between the date of the acquisition in the current reporting period and the balance date.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Identifiable intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the depreciation and amortisation expense category.

Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with indefinite useful lives, which are therefore not amortised, are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Finite-lived intangibles that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Web site development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

Software

Useful lives
Finite – 3 years. The expected useful life is reassessed at each financial year-end.

Amortisation method used
Amortised over the expected useful life on a straight-line basis.

Internally generated or acquired
Internally generated and acquired.

Impairment testing
Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Brand names

Useful lives
Finite – 15 years The expected useful life is reassessed at each financial year-end.

Amortisation method used
No amortisation.

Internally generated or acquired
Acquired.

Impairment testing
Annually and more frequently when an indication of impairment exists.

Customer contracts and relationships

Useful lives
Finite – up to 10 years. The expected useful life is reassessed at each financial year-end.

Amortisation method used
Amortised over the expected useful life on a straight-line basis.

Internally generated or acquired
Acquired.

Impairment testing
Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Web site development costs

Useful lives
Finite – 5 years. The expected useful life is reassessed at each financial year-end.

Amortisation method used
Amortised over the expected useful life on a straight-line basis.

Internally generated or acquired
Internally generated.

Impairment testing
Annually for assets not yet available for use and more frequently when an indication of impairment exists.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(i) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(j) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 45 days of recognition.

(k) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item and include hire purchase liabilities, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(l) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowing costs are recognised as an expense when incurred.

(m) Employee benefits and other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

The increase in the provision resulting from the passage of time is recognised in finance costs.

Wages, salaries annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of a service is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to surveys of work performed or services performed to date as a percentage of total services to be performed.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(p) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(p) Income Tax (continued)

- when the taxable temporary difference is associated with investments in subsidiaries or associates, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries or associates, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Commquest Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 8 November 2007.

The head entity, Commquest Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in these financial statements in respect of this agreement on the basis that the possibility of default is remote.

Members of the group have also entered into a tax funding agreement whereby Commquest Limited, as the head entity of the tax consolidated group, will charge or reimburse its wholly-owned subsidiaries for current tax liabilities or assets it incurs in connection with their activities. As a consequence, Commquest Limited will recognise the current tax balances of its wholly-owned subsidiaries as if those were its own in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax funding agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable.

(q) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Share-based Payment Transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits – the Employee Share Option Plan, which provides benefits to executives and other employees.

The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model, further details of which are given in note 27.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of CommQuest (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by CommQuest to employees of subsidiaries are recognised in the legal parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by CommQuest in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest that were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 Summary of significant accounting policies (continued)

(s) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments will most likely not be reported. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the legal parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Comparatives

As explained in note 2(c), CommQuest's acquisitions on listing have been accounted for as a reverse acquisition in accordance with the requirements of AASB 3 Business Combinations. Under AASB 3 SMART has been deemed to be the acquirer to form the Group for accounting purposes, notwithstanding that CommQuest is the legal acquirer.

The comparatives in these consolidated financial statements reflect the SMART results for the 12 months ended 30 June 2007.

3 Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate, in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for interest bearing debt, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short-term debt obligations. The level of debt is disclosed in note 18.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Financial Assets				
Cash and Cash equivalents	**6,542,406**	137,155	**1,652,336**	–
Financial Liabilities				
Commercial Bills	**24,754,351**	–	**24,754,351**	–
Debtor Financing	**2,232,593**	1,038,755	**–**	–
Hire Purchase liability	**847,732**	693,891	**–**	–
Net exposure	**(21,292,270)**	(1,595,491)	**(23,102,015)**	–

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Net Profit Higher/(Lower)		Net Assets Higher/(Lower)	
	2008 $	2007 $	**2008 $**	2007 $
CONSOLIDATED				
+ 0.6% (60 basis points)	**(134,451)**	(10,075)	**(134,451)**	(10,075)
– 0.6% (60 basis points)	**134,451**	10,075	**134,451**	10,075
PARENT				
+ 0.6% (60 basis points)	**(145,878)**	–	**(145,878)**	–
– 0.6% (60 basis points)	**145,878**	–	**145,878**	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

3 Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

– it will not have sufficient funds to settle a transaction on the due date;

– it will be forced to sell financial assets at a value that is less than what they are worth; or

– it may be unable to settle or recover a financial asset at all.

This risk is managed through the establishment of a minimum cash balance and a review of this balance to maximise returns on the available funds. In setting this minimum balance, the Audit and Risk Committee reviews the various risks that CommQuest faces in achieving its objectives and considers the liquidity required to manage the day-to-day activities of the Group.

The set balance is the specified minimum acceptable surplus of committed facilities accessible for the next 12 months in each group company and is reviewed annually or earlier upon the occurrence of a significant event.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2008. The amounts represent the respective undiscounted cash flows for the respective upcoming financial years. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	<6 months $	6–12 months $	1–5 years $	>5 years $	Total $
CONSOLIDATED					
Year ended 30 June 2008					
Financial assets					
Cash and cash equivalents	**6,542,406**	**–**	**–**	**–**	**6,542,406**
Trade and other receivables	**21,445,945**	**–**	**369,216**	**–**	**21,815,161**
	27,988,351	**–**	**369,216**	**–**	**28,357,567**
Financial liabilities					
Trade and other payables	**13,094,025**	**–**	**–**	**–**	**13,094,025**
Interest bearing loans and borrowings	**2,232,593**	**3,250,000**	**19,500,000**	**2,004,351**	**26,986,944**
	15,326,618	**3,250,000**	**19,500,000**	**2,004,351**	**40,080,969**
Net maturity	**12,661,733**	**(3,250,000)**	**(19,130,784)**	**(2,004,351)**	**(11,723,402)**
Year ended 30 June 2007					
Financial assets					
Cash and cash equivalents	137,155	–	–	–	137,155
Trade and other receivables	3,998,367	–	–	–	3,998,367
	4,135,522	–	–	–	4,135,522
Financial liabilities					
Trade and other payables	2,364,824	–	–	–	2,364,824
Interest bearing loans and borrowings	1,171,955	133,199	427,492	–	1,732,646
	3,536,779	133,199	427,492	–	4,097,470
Net maturity	**598,743**	**(133,199)**	**(427,492)**	**–**	**38,052**

3 Financial risk management objectives and policies (continued)

	<6 months $	6–12 months $	1–5 years $	>5 years $	Total $
PARENT					
Year ended 30 June 2008					
Financial assets					
Cash and cash equivalents	**1,652,336**	**–**	**–**	**–**	**1,652,336**
Trade and other receivables	**–**	**22,490,861**	**–**	**–**	**22,490,861**
	1,652,336	**22,490,861**	**–**	**–**	**24,143,197**
Financial liabilities					
Trade and other payables	**6,066,958**	**–**	**–**	**–**	**6,066,958**
Interest bearing loans and borrowings	**–**	**3,250,000**	**19,500,000**	**2,004,351**	**24,754,351**
	6,066,958	**3,250,000**	**19,500,000**	**2,004,351**	**30,821,309**
Net maturity	**(4,414,622)**	**19,240,861**	**(19,500,000)**	**(2,004,351)**	**(6,678,112)**
Year ended 30 June 2007					
Financial assets					
Cash and cash equivalents	–	–	–	–	–
Trade and other receivables	60,456	–	–	–	60,456
	60,456	–	–	–	60,456
Financial liabilities					
Trade and other payables	155,105	–	–	–	155,105
Interest bearing loans and borrowings	–	–	–	–	–
	155,105	–	–	–	155,105
Net maturity	**(94,649)**	**–**	**–**	**–**	**(94,649)**

At balance date, the Group has available approximately $16.1 million of unused credit facilities available for its immediate use.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group endeavours to trade with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy to monitor all customers who trade on credit terms via assessment of past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technology, future product expectations and the economic environment. If an impairment trigger exists the recoverable amount of the asset is determined.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 16.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model, with the assumptions detailed in note 27. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in note 15.

5 Segment information

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Direct Marketing

The direct marketing segment is primarily made up of three businesses within the organisation, being The Smart Group, Austral Media Group and BoilerRoom Direct. This segment has proficiencies in customer acquisition, contact centre solutions, custom publishing and direct marketing campaigns.

Advertising and Communications

The advertising and communications segment consists of a number of businesses within the Group, being BoilerRoom Group, Think Creative, PyroMedia, Channel Financial Communication and Shac. This segment specialises in advertising, events, media planning, analysis, financial communications and public relations.

Digital and Mobile Marketing

The digital and mobile marketing segment consists of businesses within the Group such as Next Digital Group, SMS Central Australia, Impulse Business Solutions, Platinum TV and Inspirus. This segment specialises in digital marketing and strategy, mobile marketing, premium and standard SMS/MMS solutions including aggregation, as well as digital public content provisioning.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2008 and 30 June 2007.

	Direct Marketing $	Advertising and communications $	Digital and mobile marketing $	Total $
Year ended 30 June 2008				
Revenue				
Sales to external customers	24,918,240	8,777,843	15,767,035	49,463,118
Other revenue	814,822	39,496	27,049	881,367
Inter-segment sales	480,578	543,744	4,177,438	5,201,760
Total segment revenue	26,213,641	9,361,083	19,971,522	55,546,245
Inter-segment elimination				(5,201,760)
Unallocated revenue				550,922
Total consolidated revenue				50,895,407
Result				
Segment results	2,462,039	592,470	4,427,159	7,481,668
Unallocated expenses				(2,593,809)
Profit / (loss) before tax and finance costs				4,887,859
Finance costs				(1,185,475)
Share of profit of associate	1,908	–	–	1,908
Profit / (loss) before income tax				3,704,292
Income tax expense				(1,322,151)
Net profit / (loss) for the year				2,382,141

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

5 Segment information (continued)

	Direct Marketing $	Advertising and Communications $	Digital and Mobile marketing $	Total $
Assets and liabilities				
Segment assets	23,896,647	10,191,819	18,294,955	52,383,421
Investment in associate	1,000	–	–	1,000
Unallocated assets				40,484,147
Total assets				92,868,568
Segment liabilities	9,695,954	3,364,635	8,467,103	21,527,692
Unallocated liabilities				29,538,918
Total liabilities				51,066,610

	Direct Marketing $	Advertising and Communications $	Digital and Mobile marketing $	Unallocated $	Total $
Other segment information					
Capital expenditure (includes cost of segments assets acquired by way of business combinations)	541,224	484,190	880,369	505,476	2,411,258
Depreciation and amortisation	771,824	93,071	202,093	30,112	1,097,100
Cash flow information					
Net cash flow from operating activities	1,735,738	(596,559)	3,037,889	(2,428,995)	1,748,073
Net cash flow from investing activities	(6,061,906)	39,787	(1,914,362)	(31,556,954)	(39,493,435)
Net cash flow from financing activities	5,674,840	1,213,357	503,839	36,758,577	44,150,613

5 Segment information (continued)

	Direct Marketing $	Advertising and Communications $	Digital and Mobile marketing $	Total $
Year ended 30 June 2007				
Revenue				
Sales to external customers	18,997,154	–	–	18,997,154
Other revenues from external customers	–	–	–	–
Other revenue	–	–	–	–
Inter-segment sales	–	–	–	–
Total segment revenue	18,997,154	–	–	18,997,154
Inter-segment elimination				–
Unallocated revenue				–
Total consolidated revenue				18,997,154
Result				
Segment results	1,306,833	–	–	1,306,833
Unallocated expenses				–
Profit / (loss) before tax and finance costs				1,306,833
Finance costs				(207,166)
Share of profit of associate	13,556	–	–	13,556
Profit / (loss) before income tax				1,113,223
Income tax expense				(469,776)
Net profit / (loss) for the year				643,447
Assets and liabilities				
Segment assets	5,622,203	–	–	5,622,203
Investment in associate	37,898	–	–	37,898
Unallocated assets	–	–	–	–
Total assets				5,660,101
Segment liabilities	4,874,385	–	–	4,874,385
Unallocated liabilities	–	–	–	–
Total liabilities				4,874,385
Other segment information				
Capital expenditure	816,618	–	–	816,618
Depreciation and amortisation				
Impairment losses	227,464	–	–	227,464
Cash flow information				
Net cash flow from operating activities	1,019,286	–	–	1,019,286
Net cash flow from investing activities	(1,172,726)	–	–	(1,172,726)
Net cash flow from financing activities	286,762	–	–	286,762

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

5 Segment information (continued)

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

	Australia $	United Kingdom $	New Zealand $	Total $
Year ended 30 June 2008				
Revenue				
Sales to external customers	48,168,295	996,326	298,497	49,463,118
Other revenues from external customers	881,367	–	–	881,367
External revenues	49,049,662	996,326	298,497	50,344,485
Unallocated revenue				550,922
Segment revenue				50,895,407
Other segment information				
Segment assets	52,383,421	–	–	52,383,421
Unallocated assets	40,484,147	–	–	40,484,147
Investment in associate	1,000	–	–	1,000
Total assets				92,868,568
Capital expenditure	2,411,258			2,411,258
Year ended 30 June 2007				
Revenue				
Sales to external customers	18,997,154	–	–	18,997,154
Other revenues from external customers	–	–	–	–
External revenues	18,997,154	–	–	18,997,154
Unallocated revenue				–
Segment revenue				18,997,154
Other segment information				
Segment assets	5,622,203	–	–	5,622,203
Unallocated assets	–	–	–	–
Investment in associate	37,898	–	–	37,898
Total assets				5,660,101
Capital expenditure	816,618			816,618

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
6 Other revenue				
Interest	134,615	–	91,792	–
Management fees	354,994	–	–	–
Rental income	202,487	–	–	–
Other	161,301	–	–	–
	853,397	–	91,792	–
7 Expenses				
(a) Other expenses				
Bad and doubtful debts	709,805	385,127	–	–
Equipment hire	169,063	–	–	–
Insurance	125,196	23,749	57,391	–
(b) Finance costs				
Bank loans and commercial bills	987,175	–	993,619	–
Debtor financing facility	176,062	177,011	–	–
Finance charges payable under hire purchase liabilities	22,238	30,155	–	–
Total finance costs	1,185,475	207,166	993,619	–
(c) Depreciation and amortisation				
Depreciation	650,955	202,932	30,112	–
Amortisation	446,145	24,532	–	–
	1,097,100	227,464	30,112	–
(d) Employee benefits expense				
Wages and salaries	17,590,610	5,596,837	1,006,986	88,827
Share-based payments expense	110,458	–	110,458	–
Superannuation contribution	1,576,253	72,518	75,742	–
Other employee benefits expense	1,094,574	–	9,490	–
	20,371,895	5,669,355	1,202,676	88,827

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
8 Income Tax				
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge	**1,591,300**	362,119	**(1,073,881)**	–
Adjustments in respect of current income tax of previous periods	**(269,149)**	–	**–**	–
Deferred income tax				
Relating to origination and reversal of temporary differences	**–**	107,657	**–**	–
Income tax expense reported in the income statement	**1,322,151**	469,776	**(1,073,881)**	–
(b) Amounts charged or credited directly to equity				
Deferred income tax related to items charged (credited) directly to equity	**894,842**	–	**894,842**	–
(c) Numerical reconciliations between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	**3,704,292**	1,113,223	**(3,691,566)**	(94,651)
At the parent entity's statutory income tax rate of 30% (2007: 30%)	**1,111,288**	333,667	**(1,107,470)**	(28,395)
Entertainment	**68,781**	–	**18,969**	–
Legal fees	**–**	–	**–**	–
Share-based payments	**110,458**	–	**110,458**	–
Other	**300,773**	135,809	**(95,838)**	28,395
Aggregate income tax expense	**1,591,300**	469,776	**(1,073,881)**	–
Pre Acquisition Adjustment	**(269,149)**	–	**–**	–
Adjustment				
Closing income tax expense	**1,322,151**	–	**–**	–

8 Income Tax (continued)

	Consolidated 2008 $ Current income tax	Consolidated 2008 $ Deferred income tax	Consolidated 2007 $ Current income tax	Consolidated 2007 $ Deferred income tax	Parent 2008 $ Current income tax	Parent 2008 $ Deferred income tax	Parent 2007 $ Current income tax	Parent 2007 $ Deferred income tax
Opening balance	**1,539,348**	**–**	–	–	**–**	**–**	–	–
Charged to income	**1,688,406**	**(30,871)**	664,476	569,726	**2,415,757**	**(550,532)**	–	–
Charged to equity	**–**	**894,842**	–	–	**–**	**894,842**	–	–
Other payments	**(811,997)**	**–**	–	–	**–**	**–**	–	–
Acquisitions	**–**	**–**	–	–	**–**	**–**	–	–
Closing balance	**2,415,757**	**863,971**	664,476	569,726	**2,415,757**	**(344,310)**	–	–
Tax expense in income statement		**1,322,151**		469,776		**(1,073,881)**		–
Amounts recognised in the balance sheet:								
Deferred Tax asset		**2,076,498**		99,950		**729,571**		–
Deferred tax liability		**(2,534,678)**		–		**–**		–
		863,971		569,726		**(344,310)**		–

	Balance sheet 2008 $	Balance sheet 2007 $
Deferred income tax at 30 June 2008 relates to the following:		
CONSOLIDATED		
(i) Deferred tax liabilities		
Foreign currency balances	**–**	–
Accelerated depreciation: plant and equipment, motor vehicles	**–**	–
Development costs	**–**	–
Other	**2,534,678**	–
Gross deferred tax liabilities	**2,534,678**	–
Set-off of deferred tax assets	**–**	–
Net deferred tax assets	**2,534,678**	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

8 Income Tax (continued)

	Balance sheet 2008 $	2007 $
Deferred income tax at 30 June 2008 relates to the following:		
CONSOLIDATED		
(i) Deferred tax assets		
Accrued expenses	**483,575**	–
Provision for doubtful debts	**376,688**	–
Provisions long service leave and annual leave	**500,361**	51,662
Equity raising costs	**715,874**	–
Other	**–**	48,288
Gross deferred tax assets	**2,076,498**	99,950
Set-off of deferred tax assets	**–**	–
Net deferred tax assets	**2,076,498**	99,950
Deferred income tax at 30 June 2008 relates to the following:		
PARENT		
(i) Deferred tax liabilities		
Foreign currency balances	**–**	–
Accelerated depreciation: plant and equipment, motor vehicles	**–**	–
Development costs	**–**	–
Other	**–**	–
Gross deferred tax liabilities	**–**	–
Set-off of deferred tax assets	**–**	–
Net deferred tax assets	**–**	–
Deferred income tax at 30 June 2008 relates to the following:		
PARENT		
(i) Deferred tax assets		
Interest payable	**–**	–
Finance leases	**–**	–
Provisions long service leave and annual leave	**10,659**	–
Equity raising costs	**715,874**	–
Other	**3,038**	–
Gross deferred tax assets	**729,571**	–
Set-off of deferred tax assets	**–**	–
Net deferred tax assets	**729,571**	–

8 Income Tax (continued)

(e) Tax losses

The Group has Australian capital tax losses for which no deferred tax asset is recognised on the balance sheet of $0 (2007: $0) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant statutory tests.

(f) Unrecognised temporary differences

At 30 June 2008, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries or associate, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007: $nil).

(g) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Commquest Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 8 November 2007. Commquest Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on accounting profit, which is not an acceptable method of allocation under UIG 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Tax consolidation contributions / (distributions)

Commquest Limited has recognised the following amounts as tax-consolidation contribution adjustments:

	Parent 2008 $	2007 $
Deferred income tax at 30 June 2008 relates to the following:		
Total increase/(reduction) to tax payable of Commquest Limited	**2,415,757**	–
Total increase/(reduction) to intercompany assets of Commquest Limited	**3,647,424**	–
Total increase/(reduction) to investment in subsidiary accounts of Commquest Limited	**–**	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

9 Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated 2008 $	2007 $
(a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share		
Net profit attributable to ordinary equity holders of the parent	**2,382,141**	643,447

	2008 Number	2007 Number
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**48,673,875**	26,665,659
Effect of dilutive share options	**27,277**	–
Weighted average number of ordinary shares for diluted earnings per share	**48,701,152**	26,665,659

There are no instruments (eg share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(c) Information on the classification of securities

Options granted to employees (including KMP) as described in note 27 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
10 Cash and cash equivalents				
Cash at bank and in hand	**4,967,218**	137,155	**77,148**	–
Escrow funds *	**1,575,188**	–	**1,575,188**	–
	6,542,406	137,155	**1,652,336**	–

* Funds held in escrow are not available for use by the Group. Escrow funds represent amounts withheld from respective vendors in relation to subsidiary acquisitions made during the period.

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
11 Other receivables (current)				
Contract deposits and prepayments	**743,968**	372,052	**278,699**	60,456
Accrued revenue	**4,991,421**	1,423,013	**–**	–
Sundry receivables	**2,221,408**	39,467	**125,903**	–
Refundable deposits	**369,216**	15,841	**–**	–
Related party receivables: (a)				
Loan to subsidiaries	**–**	–	**22,086,259**	–
Loans to employees	**111,992**	–	**–**	–
Other related parties	**308,560**	975,832	**–**	–
Allowance for impairment loss (b)	**(242,833)**	(246,185)	**–**	–
	8,503,732	2,580,020	**22,490,861**	60,456

(a) Related party receivables

For terms and conditions of related party receivables refer to note 25.

(b) Allowance for impairment loss

All amounts are receivable in Australian Dollars. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment $3,352 (2007: nil) has been recognised by the Group and $nil (2007: $nil) by the Company in the current year. These have been included in the line item other expenses of the income statement.

Movements in the provision for impairment loss were as follows:

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
At 1 July 2007	**246,185**	246,185	**–**	–
Charge for the year	**–**	–	**–**	–
Amounts written off	**(3,352)**	–	**–**	–
At 30 June 2008	**242,833**	246,185	**–**	–

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
12 Trade and other receivables (current)				
Trade receivables	**13,725,038**	1,478,118	**46,021**	–
Allowance for impairment loss (a)	**(1,255,628)**	(59,771)	**–**	–
	12,469,410	1,418,347	**46,021**	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

12 Trade and other receivables (current) (continued)

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $709,805 (2007: $45,240) has been recognised by the Group and $nil (2007: $nil) by the Company in the current year. These have been included in the line item other expenses of the income statement.

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Movements in the provision for impairment loss were as follows:				
At 1 July 2007	**59,771**	45,822	**–**	–
Additional provision through acquisition	**486,052**	–	**–**	–
Charge for the year	**709,805**	45,240	**–**	–
Amounts written off		(31,291)	**–**	–
At 30 June 2008	**1,255,628**	59,771	**–**	–

At 30 June the ageing analysis of trade receivables is as follows, whereby "PDNI" and "CI" denote past due not impaired and considered impaired respectively:

		Total	0-30 days	31-60 days	61-90 days PDNI	61-90 days CI	+91 days PDNI	+91 days CI
2008	**Consolidated**	**13,725,038**	**6,415,182**	**3,261,420**	**565,412**	**–**	**2,227,396**	**1,255,628**
	Parent	**46,021**	**33,000**	**–**	**4,950**	**–**	**8,071**	**–**
2007	Consolidated	1,478,118	869,853	428,211	109,312	–	10,971	59,771
	Parent	–	–	–	–	–	–	–

Receivables past due but not considered impaired are: Consolidated $2,792,808 (2007: $120,283); Parent $13,021 (2007: $nil). Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

13 Investment in associates (non-current)

(a) Investment details

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Unlisted:				
SMS Messenger Pty Ltd	**1,000**	1,000	**–**	–
Smart PR Corporation Pty Ltd*	**–**	36,898	**–**	–
Platinum TV Pty Ltd	**400,000**	–	**400,000**	–
	401,000	37,898	**400,000**	–

* On the 8 November 2007 the remaining 75% share capital of Smart PR Corporation Pty Ltd was by acquired by Sales Marketing and Real Technologies – SMART Pty Ltd.

(b) Movements in the carrying amount of the Group's investment in associates

	Consolidated 2008 $	Consolidated 2007 $
SMS Messenger Pty Ltd		
At 1 July 2007	**1,000**	1,000
Share of profits after income tax	**–**	–
At 30 June 2008	**1,000**	1,000
Smart PR Corporation Pty Ltd		
At 1 July 2007	**36,898**	23,342
Share of profits after income tax	**–**	13,556
100% Share capital acquired (refer to 28)	**(36,898)**	–
At 30 June 2008	**–**	36,898
Platinum TV Pty Ltd		
At 1 July 2007	**–**	–
Acquisition of initial interest at cost	**400,000**	–
Share of profits after income tax	**–**	–
At 30 June 2008	**400,000**	–

(c) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates:

	2008 $	2007 $
Extract from associates' balance sheets:		
Current assets	**53,043**	–
Non-current assets	**8,824**	–
Total assets	**61,867**	–
Current liabilities	**82,258**	–
Non-current liabilities	**–**	–
Total liabilities	**82,258**	
Net assets	**(20,391)**	–
Share of associates' net assets	**(4,078)**	–
Extract from associates' income statements:		
Revenue	**–**	–
Net profit	**–**	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
14 Investment in subsidiaries (non-current)				
Investment in controlled entities				
Refer note 25 – at cost	–	–	79,476,701	–

15 Plant and equipment (non-current)

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Plant and Equipment $	Leasehold improvements $	Fixtures and fittings $	Motor Vehicles $	Total $
CONSOLIDATED					
Year ended 30 June 2008					
At 1 July 2007 net of accumulated depreciation and impairment	798,764	7,093	15,023	222,783	1,043,663
Additions	477,967	385,728	169,275	–	1,032,970
Acquisition of subsidiaries (note 28)	1,144,614	343	14,710	218,620	1,378,287
Disposals	(5,799)	–	(947)	(33,687)	(40,433)
Depreciation charge for the year	(425,635)	(29,789)	(31,733)	(163,797)	(650,955)
At 30 June 2008 net of accumulated depreciation and impairment	1,989,911	363,375	166,327	243,919	2,763,532
At 30 June 2008					
Cost	3,051,634	394,149	238,148	705,095	4,389,026
Accumulated depreciation and impairment	(1,061,722)	(30,774)	(71,822)	(461,176)	(1,625,494)
Net carrying amount	1,989,911	363,375	166,327	243,919	2,763,532
Year ended 30 June 2007					
At 1 July 2006 net of accumulated depreciation and impairment	68,363	–	18,148	343,466	429,977
Additions	807,188	7,831	1,599	–	816,618
Disposals	–	–	–	–	–
Depreciation charge for the year	(76,787)	(738)	(4,724)	(120,683)	(202,932)
At 30 June 2007 net of accumulated depreciation and impairment	798,764	7,093	15,023	222,783	1,043,663
At 30 June 2007					
Cost or fair value	929,272	7,831	34,187	542,464	1,513,754
Accumulated depreciation and impairment	(130,508)	(738)	(19,164)	(319,681)	(470,091)
Net carrying amount	798,764	7,093	15,023	222,783	1,043,663

15 Property, plant and equipment (non-current) (continued)

	Plant and Equipment $	Leasehold improvements $	Fixtures and fittings $	Motor Vehicles $	Total $
PARENT					
Year ended 30 June 2008					
At 1 July 2007 net of accumulated depreciation and impairment	–	–	–	–	–
Additions	157,111	345,109	–	–	502,220
Disposals	–	–	–	–	–
Depreciation charge for the year	(6,857)	(23,254)	–	–	(30,111)
At 30 June 2008 net of accumulated depreciation and impairment	150,254	321,855	–	–	472,109
At 30 June 2008					
Cost or fair value	157,111	345,109	–	–	502,220
Accumulated depreciation and impairment	(6,857)	(23,254)	–	–	(30,111)
Net carrying amount	150,254	321,855	–	–	472,109
Year ended 30 June 2007					
At 1 July 2006 net of accumulated depreciation and impairment	–	–	–	–	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Depreciation charge for the period	–	–	–	–	–
At 30 June 2007 net of accumulated depreciation and impairment	–	–	–	–	–
At 30 June 2007					
Cost or fair value	–	–	–	–	–
Accumulated depreciation and impairment	–	–	–	–	–
Net carrying amount	–	–	–	–	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

16 Intangible assets and goodwill (non-current)

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Software $	Brand Names $	Customer contracts and relationships $	Goodwill $	Total $
CONSOLIDATED					
Year ended 30 June 2008					
At 1 July 2007 net of accumulated depreciation and impairment	**343,068**	**–**	**–**	**–**	**343,068**
Additions – internal development	**662,042**	**–**	**–**	**–**	**662,042**
Acquisition of subsidiaries	**841,122**	**2,668,000**	**1,618,900**	**54,425,003**	**59,553,025**
Impairment	**–**	**–**	**–**	**–**	**–**
Amortisation	**(218,159)**	**(117,928)**	**(110,058)**	**–**	**(446,145)**
At 30 June 2008 net of accumulated amortisation and impairment	**1,628,073**	**2,550,072**	**1,508,842**	**54,425,003**	**60,111,990**
At 30 June 2008					
Cost (gross carrying amount)	**2,012,799**	**2,668,000**	**1,618,900**	**54,425,003**	**60,724,702**
Accumulated amortisation and impairment	**(384,726)**	**(117,928)**	**(110,058)**	**–**	**(612,712)**
Net carrying amount	**1,628,073**	**2,550,072**	**1,508,842**	**54,425,003**	**60,111,990**
Year ended 30 June 2007					
At 1 July 2006 net of accumulated depreciation and impairment	36,835	–	–	–	36,835
Additions – internal development	330,765	–	–	–	330,765
Impairment	–	–	–	–	–
Amortisation	(24,532)	–			(24,532)
At 30 June 2007 net of accumulated amortisation and impairment	343,068	–	–	–	343,068
At 30 June 2007					
Cost (gross carrying amount)	404,434	–	–	–	404,434
Accumulated amortisation and impairment	(61,366)	–	–	–	(61,366)
Net carrying amount	343,068	–	–	–	343,068

Goodwill, brand names and customer contracts and relationships were purchased as part of business combinations. Software was mixture of internally generated, $662,042 (2007:$330,765) and purchased as part of a business combination $841,122 (2007:$nil).

16 Intangible assets and goodwill (non-current) (continued)

	Software $
PARENT	
Year ended 30 June 2008	
At 1 July 2007 net of accumulated depreciation and impairment	**–**
Additions – internal development	**255,999**
Acquisition of subsidiaries	**–**
Impairment	**–**
Amortisation	**–**
At 30 June 2008 net of accumulated amortisation and impairment	**255,999**
At 30 June 2008	
Cost (gross carrying amount)	**255,999**
Accumulated amortisation and impairment	**–**
Net carrying amount	**255,999**

(b) Description of the Group's intangible assets and goodwill

(i) Software

Software is carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 to 5 years. The amortisation has been recognised in the income statement in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

(ii) Brand names

Brand names have been acquired through business combinations and are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 15 years. The amortisation has been recognised in the income statement in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

(iii) Customer contracts and relationships

Customer contracts and relationship costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 9.6 to 11.6 years. The amortisation has been recognised in the income statement in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

(iv) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section c of this note).

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

16 Intangible assets and goodwill (non-current) (continued)

(c) Impairment tests for goodwill and intangibles with indefinite useful lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to its own individual cash generating unit, being the entity acquired to which the goodwill is attributable to.

Individual cash-generating units	Goodwill $
SMART PR Corporation Pty Ltd	240,814
Impulse Business Solutions Pty Ltd	8,006,325
BoilerRoom Group Pty Ltd	5,681,053
BoilerRoom Direct Pty Ltd	4,070,303
Bland Consulting Pty Ltd	1,809,195
SMS Central Australia Pty Ltd and its controlled entity	3,026,078
Inspirus Pty Ltd	1,339,702
Think Creative Management Pty Ltd	1,608,252
PyroMedia Pty Ltd	163,812
Shac Pty Ltd	446,459
Channel Financial Communication Pty Ltd	4,774,205
Web Development Group Pty Ltd and its controlled entities	19,696,804
Austral Media Group Pty Ltd	3,414,160
Commquest Limited*	147,840

* Commquest Limited being the accounting subsidiary of SMART Pty Ltd.

The initial accounting for the business combinations of Channel Financial Communication Pty Ltd, Web Development Group Pty Ltd, Austral Media Group Pty Ltd and Inspirus Pty Ltd have only been determined provisionally because the valuations necessary for applying the purchase method are still being finalised by an external valuer. For the purposes of the consolidated balance sheet the assets and liabilities have been recorded at their provision fair values and excess consideration paid over the provisional fair values has been allocated to goodwill. Under Australian Accounting Standards, CommQuest has 12 months from the date of acquisition to complete its initial acquisition accounting.

Any adjustments to fair values, including tax adjustments, will have an equal and opposite impact on the goodwill recorded on acquisition. Accordingly, any such adjustments will have no impact on the aggregate of the net assets of Commquest Limited, but could have a material impact on any potential amortisation charges in the current and future financial periods.

(ii) Key assumptions used in value in use calculations for the business units for 30 June 2008

During the financial period, the Group assessed the recoverable amount of goodwill and brand names and determined that they were not impaired. The recoverable amount of each cash-generating unit was assessed by reference to the cash-generating unit's value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

The discount rate applied to cash flow projections is 16.68% and cash flows beyond the five year period are extrapolated using 2% growth rate to determine terminal value, which is the company's estimate of the long term average growth rate for the industry in which the company operates. At the current time, management believe that no reasonable possible change in any of the above assumptions would cause the carrying value of goodwill relating to each of the goodwill balances disclosed in Note 28 to materially exceed its recoverable amount.

17 Trade and other payables (current)

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Trade payables	3,703,366	801,288	677,587	–
Other payables	6,276,329	1,254,268	802,191	–
Accrued expenses	871,076	–	–	–
Income in advance	72,763	–	–	–
	10,923,534	2,055,556	1,479,778	
Related party payables: (b)				
Loans from key management personnel	141,799	–	–	–
Associates	–	309,268	–	–
	11,065,333	2,364,824	1,479,778	–

(a) Fair value and credit risk

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Related party payables

For terms and conditions of related party payables refer to note 25.

(c) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 3.

18 Interest bearing loans and borrowings

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Current				
Debtor financing facility	2,232,593	1,038,755	–	–
Hire purchase liability (note 28)	359,981	267,472	–	–
Commercial bills	3,250,000	–	3,250,000	–
	5,842,574	1,306,227	3,250,000	–
Non-current				
Hire purchase liability (note 28)	487,750	426,419	–	–
Commercial bills	21,504,351	–	21,504,351	–
	21,992,101	426,419	21,504,351	–

(a) Fair value

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk is disclosed in note 3.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

18 Interest bearing loans and borrowings (continued)

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Current				
Floating charge				
Cash	**4,967,218**	–	**77,148**	–
Receivables	**13,725,038**	–	**46,021**	–
Total current assets pledged as security	**18,692,256**	–	**123,169**	–
Non-current				
Hire Purchase liabilities				
Leased plant and equipment	**654,521**	–	**–**	–
Floating charge				
Plant and equipment	**1,335,390**	–	**416,225**	–
Total non-current assets pledged as security	**1,989,911**	–	**416,225**	–
Total assets pledged as security	**1,989,911**	–	**416,225**	–

The terms and conditions relating to the financial assets are as follows:

Cash and cash equivalents and trade receivables are pledged against the debtor financing facility on an ongoing floating basis for the term of the debtor financing facility.

Cash and cash equivalents and all other assets of the Group are pledged against the commercial bill facility on an ongoing floating basis for the term of the commercial bill facility.

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

(e) Facility details

Below is a description and details of the Group's current drawdown facility which are subject to annual review.

Facility Details	Balance	Yield Rate	Term
Invoice Finance Facility	$2,232,592	*	–
Fixed Rate Commercial Bill Facility	2,756,250	7.59	March 2010
Fixed Rate Commercial Bill Facility	2,500,000	7.50	March 2010
Fixed Rate Commercial Bill Facility	7,500,000	7.59	March 2010
Variable Rate Commercial Bill Facility	4,000,000	*	–
Variable Rate Commercial Bill Facility	1,248,101	*	–
Variable Rate Commercial Bill Facility	2,750,000	*	–
Variable Rate Commercial Bill Facility	4,000,000	*	–

*Yield Rate for Variable Rate Commercial Bill Facility will be the Bank Bill Swap Rate

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
19 Deferred settlement obligation (current)				
Deferred settlement obligation	**5,548,298**	–	**4,587,180**	–

Under the terms of the Share Purchase Agreements on the acquisition of portfolio companies, to the extent the portfolio companies actual full-year Earnings Before Interest and Tax ("EBIT") to the 30 June 2008, exceeds the forecast full year to 30 June 2008 EBIT on which the Business was acquired, Commquest Limited is contractually obligated to make further payments in either cash or shares.

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
20 Provisions (current)				
Annual Leave	**1,050,472**	107,424	**35,529**	–
Long Service Leave	**102,510**	–	**–**	–
Provision for bonuses	**231,131**	–	**–**	–
	1,384,113	107,424	**35,529**	–
21 Provisions (non-current)				
Annual Leave	**–**	5,015	**–**	–
Long Service Leave	**283,756**	–	**–**	–
	283,756	5,015	**–**	
22 Contributed equity				
Ordinary shares	**39,309,359**	400	**74,852,881**	2
(a) Ordinary shares				
Issued and fully paid	**39,309,359**	400	**74,852,881**	2

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated Number	Consolidated $	Parent Number	Parent $
Movement in ordinary shares on issue				
At the 1 July 2006	**200**	200	**–**	–
Share issue	**200**	200	**2**	2
Transaction costs	**–**	–	**–**	–
At the 1 July 2007	**400**	400	**2**	2
Share issue – IPO	**32,849,432**	32,849,432	**68,393,352**	68,393,352
Shares issued for asset purchases *	**142,011**	63,904	**142,011**	63,904
Shares issued for subsidiaries **	**13,842,510**	9,231,374	**13,842,510**	9,231,374
Transaction costs ***	**–**	(3,730,593)	**–**	(3,730,593)
Deferred tax in relation to transaction costs	**–**	894,842		894,842
At 30 June 2008	**46,834,353**	39,909,359	**82,377,875**	74,852,881

* Issued on the 16 of June 2008 in exchange for the asset purchase being the business of Inspirus Pty Ltd.

** The following shares were issued as part consideration for the acquisition of subsidiaries. Refer to note 27.

The initial accounting for the business combinations for Web Development Group Pty Ltd, Channel Financial Communication Pty Ltd, Austral Media Group Pty Ltd and Inspirus Pty Ltd have only been determined provisionally because the valuations necessary for applying the purchase method are still being finalised by an external valuer.

*** The transaction costs represent the costs of issuing options and shares.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

23 Reserves

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
(a) Movements in other reserves were as follows:				
Employee equity benefits reserve				
Balance at the 1 July 2007	–	–	–	–
Share based payment	110,458	–	110,458	–
Balance at 30 June 2008	110,458	–	110,458	–

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 27 for further details of these plans.

24 Cash flow statement reconciliation

(a) Reconciliation of net profit after tax to net cash flows from operations

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Net Profit	2,382,141	643,447	(2,617,685)	–
Adjustments for:				
Depreciation and amortisation	1,097,100	227,464	30,112	–
Share of associates' net (profits)/losses	(1,098)	(13,556)	–	–
Share based payments expense	110,458	–	110,458	–
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(6,705,469)	(1,177,597)	(390,168)	–
(Increase)/decrease in prepayments		(208,042)	–	–
(Increase)/decrease in deferred tax assets	(1,210,552)	23,428	(1,231,667)	–
(Decrease)/increase in deferred tax liabilities	1,233,158	–	–	–
(Decrease)/increase in trade and other payables	3,995,787	1,033,832	1,489,944	–
(Decrease)/increase in provisions	846,548	490,310	35,529	
Net cash from operating activities	1,748,073	1,019,286	(2,573,477)	–
(b) Non-cash financing and investing activities				
Settlement of subsidiary purchase with shares (note 28)	9,295,278	–	9,295,278	–

25 Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of the legal parent Commquest Limited, the accounting parent Sales Marketing and Reat Technologies – SMART Pty Ltd and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2008	% Equity Interest 2007	Investment $ 2008	Investment $ 2007
The Sales Marketing and Real Technologies – SMART Pty Ltd and its controlled entities					
– SMART PR Corporation Pty Ltd	Australia	100	25	297,855	24,342
– Impulse Business Solutions Pty Ltd	Australia	100	–	9,611,180	–
– IBS Unit Trust	Australia	100	–	–	–
– The Advertising Centre Pty Ltd	Australia	100	–	–	–
Total Sales Marketing and Real Technologies – SMART Pty Ltd				9,909,035	24,342
Commquest Limited and its controlled entities					
– The Sales Marketing and Real Technologies – SMART Pty Ltd	Australia	100	–	35,543,915	–
– BoilerRoom Group Pty Ltd and its controlled entities	Australia	100	–	7,351,670	–
– BoilerRoom Direct Pty Ltd	Australia	100	–	4,215,472	–
– BoilerRoom Interactive Pty Ltd	Australia	100	–	–	–
– Bland Consulting Pty Ltd	Australia	100	–	1,816,089	–
– SMS Central Australia Pty Ltd and its controlled entity	Australia	100	–	3,437,758	–
– Inspirus Pty Ltd	Australia	100	–	1	–
– Think Creative Management Pty Ltd	Australia	100	–	1,749,108	–
– PyroMedia Pty Ltd	Australia	100	–	145,000	–
– Shac Pty Ltd	Australia	20	–	512,790	–
– Channel Financial Communication Pty Ltd	Australia	100	–	5,161,926	–
– Web Development Group Pty Ltd and its controlled entities;		100	–	15,438,026	–
– Next Digital Pty Ltd	Australia	100	–	–	–
– Next Digital Shanghai	China	100	–	–	–
– Alfresco Design Pty Ltd	Australia	100	–	–	–
– Result Media Pty Ltd	Australia	100	–	–	–
– SMS Intelligence Pty Ltd	Australia	100	–	–	–
– Austral Media Group Pty Ltd	Australia	100	–	4,104,946	–
Total Commquest Limited				79,476,701	–

(b) Ultimate parent

Commquest Limited is the ultimate legal parent entity and Sales Marketing and Real Technologies – SMART Pty Ltd is the ultimate accounting parent entity, both of which were incorporated in Australia.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

25 Related party disclosure (continued)

(c) Key management personnel

Details relating to KMP, including remuneration paid, are included in note 26.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade receivables and payables at year-end, refer to notes 11 and 17 respectively)

Related party		Sales to related parties	Purchases from related parties	Other transactions with related parties
Stay in Bed Milk and Bread Pty Ltd	**2008**	**1,252,136**	**–**	**–**
Stay in Bed Milk and Bread Pty Ltd	2007	81,020	–	–
SMS Diagnostics Ltd	**2008**	**73,125**	**–**	**–**
	2007	–	–	–

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Terms and conditions of the tax funding and tax sharing arrangements are set out in note 8.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

(e) Loans to related parties

Sales Marketing and Real Technologies – SMART Pty Ltd had provided loans to the following director related entities with these balances at reporting date:

	2008 $	2007 $
Ice Pty Ltd	**–**	62,258
JKM Properties Pty Ltd	**–**	251,269
WHAS Properties Pty Ltd	**–**	261,015
Commquest Pty Ltd *	**–**	155,105
MUMs Pty Ltd	**231,319**	246,185
Stay in Bed Milk and Bread Pty Ltd	**77,241**	–
	308,560	975,832

* During the financial year June 2007, Commquest Pty Ltd was a director related entity of Sales Marketing and Real Technologies – SMART Pty Ltd the accounting acquirer.

26 Key management personnel

(a) Details of Key Management Personnel

(i) Directors

Mr John A Hall	Chairman (non-executive)
Mr William H A Scott	Chief Executive Officer
Mr Jordan K Muir	Chief Operating Officer
Mr Eric B Coulson	Chief Marketing Officer
Mr Paul X Tobin	Director (non-executive)
Mr Thomas J R O'Brien	Director (non-executive)

(ii) Executives

Mr J Meredith-Smith	Chief Financial Officer
Mr F Dunton	Head of Mobile Marketing
Mr A Spanos	Managing Director, Next Digital Group
Mr P Kelly	Director, Channel Financial Communication
Mr B Shaw	Corporate Manager
Ms K Palethorpe	Corporate Lawyer
Mr R Ramnarain	National Operations Manager, The Smart Group
Mr D Stewart	National Sales Manager, The Smart Group
Mr Michael Herchenbach	General Counsel and Company Secretary (Resigned 23 November 2007)

There were no changes of the CEO or KMP after reporting date and before the date the financial report was authorised for issue.

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
(b) Compensation for Key Management Personnel				
Short-term employee benefits	**2,118,799**	967,228	**1,452,564**	–
Post-employment benefits	**160,749**	34,183	**94,198**	–
Other long-term benefits	**–**	–	**–**	–
Termination benefits	**–**	–	**–**	–
Share-based payment	**107,512**	–	**107,512**	–
Total compensation	**2,387,060**	1,001,411	**1,654,274**	–

Refer to the Remuneration Report section of the Directors' Report for further information on the remuneration of directors and executives.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

26 Key management personnel (continued)

(c) Option holdings of Key Management Personnel (Consolidated)

30 June 2008	Balance at Beginning of Period 1 July 07	Granted as Remun-eration	Options Exer-cised	Net Change Other *	Balance at End of Period 30 June 08	Vested at 30 June 2008 Total	Exer-cisable	Not Exer-cisable
Directors								
Mr W Scott	–	150,000	–	–	150,000	150,000	–	150,000
Mr J Muir	–	112,500	–	–	112,500	112,500	–	112,500
Mr B Coulson	–	112,500	–	–	112,500	112,500	–	112,500
Mr P Tobin	–	80,000	–	–	80,000	80,000	–	80,000
Mr T O'Brien	–	80,000	–	–	80,000	80,000	–	80,000
Executives								
Mr J Meredith-Smith	–	75,000	–	–	75,000	75,000	–	75,000
Mr F Dunton	–	60,000	–	–	60,000	60,000	–	60,000
Mr A Spanos	–	–	–	–	–	–	–	–
Mr P Kelly	–	–	–	–	–	–	–	–
Mr B Shaw	–	60,000	–	–	60,000	60,000	–	60,000
Ms K Palethorpe	–	–	–	–	–	–	–	–
Mr R Ramnarain	–	–	–	–	–	–	–	–
Mr D Stewart	–	–	–	–	–	–	–	–
Mr M Herchenbach	–	45,000	–	(45,000)	–	–	–	–
Total	**–**	**775,000**	**–**	**(45,000)**	**730,000**	**730,000**	**–**	**730,000**

* Includes forfeiture.

There were no options issued prior to 1 July 2007 and consequently there is no comparative information to disclose for the year ended 30 June 2007.

(d) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Commquest Limited (number)

30 June 2008	Balance 1 July 2007 Ord	Granted as Remuneration Ord	On-Market Purchases Ord	Balance 30 June 2008 Ord
Directors				
Mr J Hall	–	100,000	235,000	335,000
Mr W Scott	1	–	13,794,416	13,794,417
Mr J Muir	1	–	12,989,430	12,989,431
Mr B Coulson	–	–	2,197,840	2,197,840
Mr P Tobin	–	–	200,000	200,000
Mr T O'Brien	–	–	–	–
Executives				
Mr J Meredith-Smith	–	–	91,664	91,664
Mr F Dunton	–	–	28,000	28,000
Mr A Spanos	–	–	6,582,220	6,582,220
Mr P Kelly	–	–	941,055	941,055
Mr B Shaw	–	–	71,664	71,664
Ms K Palethorpe	–	–	8,000	8,000
Mr R Ramnarain	–	–	12,950	12,950
Mr D Stewart	–	–	5,000	5,000
Total	**2**	**100,000**	**37,157,239**	**37,257,241**

26 Key management personnel (continued)

30 June 2007	Balance 1 July 2007 Ord	Granted as Remuneration Ord	On-Market Purchases Ord	Balance 30 June 2008 Ord
Directors				
Mr J Hall	–	–	–	–
Mr W Scott	–	–	1	1
Mr J Muir	–	–	1	1
Mr B Coulson	–	–	–	–
Mr P Tobin	–	–	–	–
Mr T O'Brien	–	–	–	–
Executives				
Mr J Meredith-Smith	–	–	–	–
Mr F Dunton	–	–	–	–
Mr A Spanos	–	–	–	–
Mr P Kelly	–	–	–	–
Mr B Shaw	–	–	–	–
Ms K Palethorpe	–	–	–	–
Mr R Ramnarain	–	–	–	–
Mr D Stewart	–	–	–	–
Total	**–**	**–**	**2**	**2**

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

27 Share-based payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Expenses arising from equity-settled share-based payment transactions (note 7(d))	**110,458**	–	**110,458**	–

The share-based payment plans are described below. Mr M Herchenbach resigned on 23 November 2007, granted options had not yet vested and accordingly were forfeited.

(b) Types of share-based payment plans

CommQuest has adopted an executive share option plan ("ESOP").

The ESOP provides eligible employees and Directors with an opportunity to acquire a financial interest in the Company which will align their interests more closely with shareholders and provide greater incentive for them to focus on the Company's longer-term goals.

Eligible employees who may be offered options to subscribe for shares include full-time or permanent part-time employees or Directors (executive and non-executive) of CommQuest or the Group.

The Board has discretion to determine the form and content of any invitation, the exercise price, exercise period, option fee (if any), expiry date of options and performance conditions (if any).

An option may not be exercised before the exercise date determined in respect of the options. An option may only be exercised in a period specified in the Company's corporate governance policies or within periods as determined by the Board. Options exercised will entitle the holder to one Share for each option exercised. The Shares issued on the exercise of options will rank equally with existing Shares on issue.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

27 Share-based payment plans (continued)

Participants may assign, transfer, sell, grant a security interest over or otherwise deal with an option in accordance with the specific terms of grant of the options. Options may be exercised on the death of a Participant by the Participant's legal personal representative or in the event that an order is made for the Participant's estate to be administered under the laws relating to mental health, the person who is appointed to administer such estate.

An option will lapse and be unable to be exercised on the earliest of:

– The expiry date specified by the Board;
– 60 days from the cessation of a Participant's employment
– 30 days from the Board notifying the Participant that a takeover bid has occurred;
– The board determines performance conditions cannot be met; and
– The board determines a breach of a condition of the option has occurred which results in the expiry of the Option

Options will not be quoted on the ASX. If at the time the Shares are issued upon the exercise of the Options, Shares are quoted on the ASX, CommQuest will apply to the ASX for quotation of these Shares.

During the year no options under the CommQuest Executive and Employee Option Plans were exercised by employees including KMP.

The outstanding balance as at 30 June 2008 is represented by:

– 375,000 options over ordinary shares with an exercise price of $1.00 each, exercisable upon meeting the conditions below and until 30 September 2012
– 375,000 options over ordinary shares with an exercise price of $1.30 each, exercisable upon meeting the conditions below and until 30 September 2012

Vesting conditions for both lots of options issued require the Participants to remain employed with the Company up to 30 September 2009 at which the options become exercisable.

(c) Summaries of options granted under ESOP arrangement

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2008 No	2008 WAEP	2007 No	2007 WAEP
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	795,000	$1.15	–	–
Forfeited during the year	(45,000)	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	750,000	$1.15	–	–
Exercisable at the end of the year	–	–	–	–

The outstanding balance as at 30 June 2008 is represented by:

– 375,000 options over ordinary shares with an exercise price of $1.00 each, exercisable upon meeting the conditions above and until 30 September 2012
– 375,000 options over ordinary shares with an exercise price of $1.30 each, exercisable upon meeting the conditions above and until 30 September 2012

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 4.25 years (2007: No options issued).

(e) Range of exercise price

For options outstanding at the end of the year, the exercise prices were $1.00 and $1.30 (2007: No options issued).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was $0.39 (2007: Nil as no options issued).

27 Share-based payment plans (continued)

(g) Option pricing model

During the year ended 30 June 2008 the following options were granted over ordinary shares, exercisable upon meeting the vesting conditions detailed above. The fair values of the options are estimated at the date of grant using the Black-Scholes option pricing model. The following table also lists the inputs to the model used for the year ended 30 June 2008.

	1 October 2007	1 October 2007
Number of Options	397,500	397,500
Grant date	1 October 2007	1 October 2007
First Vesting date	30 September 2009	30 September 2009
Expiry Date	30 September 2012	30 September 2012
Share price at grant date	$1.00	$1.00
Expected volatility	60% *	60% *
Risk-free interest rate	6.46%	6.46%
Dividend yield	nil	nil
Option exercise price	$1.00	$1.30
Expected life of option	2 years **	3.5 years **

* Company listed on the ASX on 15 November 2007 and therefore no historical information available. Expected volatility was obtained with reference to an entity in a similar industry with a similar business model and characteristics.

** The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

28 Business combination

On 8 November 2007 the legal parent entity gained control over the following entities after a successful Initial Public Offering of CommQuest shares:

Sales Marketing and Real Technologies – SMART Pty Ltd
The Advertising Centre Pty Ltd
SMART PR Corporation Pty Ltd
IBS Unit Trust
Impulse Business Solutions Pty Ltd
Shac Pty Ltd
SMS Central Australia Pty Ltd
PyroMedia Pty Ltd
Think Creative Management Pty Ltd
BoilerRoom Group Pty Ltd and its controlled entities:
– BoilerRoom Direct Pty Ltd
– BoilerRoom Interactive Pty Ltd
– Bland Consulting Pty Ltd

As the acquisition is a reverse acquisition in accordance with AASB 3 Business Combinations, the subsidiary SMART is reported in the consolidated results as if it were the parent entity. The comparative results for 2007 are for the existing SMART group and the consolidated figures for 2008 show the results for the new SMART group for the 12 months to 30 June 2008, which includes the results of the other entities from the acquisition date of 8 November 2007 to the period end of 30 June 2008.

The tables below show the assets acquired by SMART during the reverse acquisition.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
The Advertising Centre Pty Ltd		
Plant and equipment	219,761	219,761
Deferred tax asset	7,220	7,220
Cash and cash equivalents	54,970	54,970
Trade receivables	545,468	545,468
Other receivables	108,731	108,731
	936,150	936,150
Trade payables	(378,492)	(378,492)
Interest bearing liabilities	(446,435)	(446,435)
Other payables	(111,223)	(77,348)
	(936,150)	(902,275)
Fair value of identifiable net assets	–	
Goodwill arising from acquisition	–	
	–	
Cost of combination:		
Shares issued at fair value		
Cash paid	33,875	
Direct costs relating to the acquisition	(33,875)	
Total cost of combination	–	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	54,970	
Cash paid	–	
Net consolidated cash outflow	54,970	

From the date of acquisition, The Advertising Centre Pty Ltd has contributed a loss of $76,656 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,369,048 and revenue from continuing operations would have been $52,330,009.

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
SMART PR Corporation Pty Ltd		
Plant and equipment	–	–
Deferred tax asset	368	368
Cash and cash equivalents	19,405	19,405
Trade receivables	51,890	51,890
Other receivables	18,897	18,897
	90,560	90,560
Trade payables	(20,548)	(20,548)
Interest bearing liabilities		
Other payables	(8,341)	(8,341)
Provisions	(48,519)	(48,519)
	(56,860)	(56,860)
Fair value of identifiable net assets	33,700	
Goodwill arising from acquisition	240,814	
	274,514	
Cost of combination:		
Shares issued at fair value	137,257	
Cash paid	137,257	
Total cost of combination	274,514	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	19,405	
Cash paid	(137,257)	
Net consolidated cash outflow	(117,852)	

From the date of acquisition, SMART PR Corporation Pty Ltd has contributed a loss of $28,722 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,391,681 and revenue from continuing operations would have been $51,048,990.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
Impulse Business Solutions Pty Ltd		
Plant and equipment	4,028	4,028
Cash and cash equivalents	379,335	379,335
Trade receivables	724,101	724,101
Other financial assets	26,929	26,929
Brand Name	1,610,000	–
	2,744,395	1,134,393
Deferred Tax Liability	(483,000)	–
Trade payables	(441,653)	(441,653)
Provisions	(214,887)	–
	(1,139,540)	(441,653)
Fair value of identifiable net assets	1,604,855	
Goodwill arising from acquisition	8,006,325	
	9,611,180	
Cost of combination:		
Shares issued at fair value	4,325,031	
Cash paid	4,325,031	
Deferred settlement obligation	961,118	
Total cost of combination	9,611,180	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	379,335	
Cash paid	(4,325,031)	
Net consolidated cash outflow	(3,945,696)	

From the date of acquisition, Impulse Business Solutions Pty Ltd has contributed $883,280 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,881,932 and revenue from continuing operations would have been $52,247,358.

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
Shac Pty Ltd		
Plant and equipment	24,462	24,462
Cash and cash equivalents	10,693	10,693
Trade receivables	303,052	303,052
Other financial assets	1,255	1,255
	339,462	339,462
Trade payables	(152,577)	(152,577)
Interest bearing liabilities	(43,517)	(43,517)
Other payables	(43,092)	(43,092)
Provisions	(25,491)	(25,491)
Deferred tax liability	(8,454)	–
	(273,131)	(264,677)
Fair value of identifiable net assets	66,331	
Goodwill arising from acquisition	446,459	
	512,790	
Cost of combination:		
Shares issued at fair value	277,184	
Cash paid	235,606	
Direct costs relating to the acquisition	–	
Total cost of combination	512,790	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	10,693	
Cash paid	235,606	
Net consolidated cash outflow	(224,913)	

From the date of acquisition, Shac Pty Ltd has contributed a loss of $182,912 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,541,945 and revenue from continuing operations would have been $50,540,519.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
SMS Central Australia Pty Ltd		
Plant and equipment	55,405	55,405
Deferred tax asset	23,750	23,750
Cash and cash equivalents	133,943	133,943
Trade receivables	1,323,606	1,323,606
Other financial assets	300	300
Software	277,500	–
	1,814,504	1,537,004
Trade payables	(1,213,438)	(1,213,438)
Other payables	(181,496)	(77,770)
Provisions	(7,890)	(7,890)
	(1,402,824)	(1,299,098)
Fair value of identifiable net assets	411,680	
Goodwill arising from acquisition	3,026,078	
	3,437,758	
Cost of combination:		
Shares issued at fair value	–	
Cash paid	1,000,000	
Deferred settlement obligation	2,437,758	
Total cost of combination	3,437,758	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	133,943	
Cash paid	(1,000,000)	
Net consolidated cash outflow	(866,057)	

From the date of acquisition, SMS Central Australia Pty Ltd has contributed $581,217 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,537,540 and revenue from continuing operations would have been $53,325,490.

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
PyroMedia Pty Ltd		
Plant and equipment	665	665
	665	665
Trade payables	(9,440)	9,440
Other payables	(8,707)	17,357
	(18,147)	26,797
Fair value of identifiable net assets	(18,812)	
Goodwill arising from acquisition	163,812	
	145,000	
Cost of combination:		
Shares issued at fair value	72,500	
Cash paid	72,500	
Total cost of combination	145,000	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	–	
Cash paid	(72,500)	
Net consolidated cash outflow	(72,500)	

From the date of acquisition, PyroMedia Pty Ltd has contributed a loss of $145,997 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,363,229 and revenue from continuing operations would have been $50,895,407.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Business combination (continued)

	Recognised on Acquisition $	Carrying Value $
Think Creative Management Pty Ltd		
Plant and equipment	26,950	26,950
Cash and cash equivalents	141,769	141,769
Trade receivables	242,488	242,488
Brand name	195,500	–
Customer contracts and relationships	42,300	–
	649,007	411,207
Trade payables	(291,453)	(291,453)
Interest bearing liabilities	(45,115)	(45,115)
Other payables	(96,880)	(96,880)
Provisions	(74,703)	(14,314)
	(508,151)	(447,762)
Fair value of identifiable net assets	140,856	
Goodwill arising from acquisition	1,608,252	
	1,749,108	
Cost of combination:		
Shares issued at fair value	874,554	
Cash paid	874,554	
Direct costs relating to the acquisition		
Total cost of combination	1,749,108	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	141,769	
Cash paid	(874,554)	
Net consolidated cash outflow	(732,785)	

From the date of acquisition, Think Creative Management Pty Ltd has contributed $172,578 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,342,227 and revenue from continuing operations would have been $51,604,439.

28 Business combination (continued)

	Consolidated	
	Recognised on Acquisition $	Carrying Value $
BoilerRoom Group Pty Ltd and its subsidiaries		
Plant and equipment	127,989	127,989
Cash and cash equivalents	174,729	174,729
Trade receivables	990,410	990,410
Other receivables	7,587	7,587
Customer contracts and relationships	1,576,600	–
Brand name	862,500	–
	3,739,815	1,300,715
Trade payables	(1,049,171)	(1,049,171)
Other payables	(7,557)	(7,557)
Provisions	(94,725)	(94,725)
Deferred tax liability	(765,682)	–
	(1,917,135)	(1,151,453)
Fair value of identifiable net assets	1,822,680	
Goodwill arising from acquisition	11,560,551	
	13,383,231	
Cost of combination:		
Shares issued at fair value	5,783,571	
Cash paid	5,783,571	
Deferred settlement obligation	1,816,089	
Total cost of combination	13,383,231	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	174,729	
Cash paid	(5,783,571)	
Net consolidated cash outflow	(5,608,842)	

From the date of acquisition, BoilerRoom Group Pty Ltd and its subsidiaries have contributed $1,247,645 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,547,937 and revenue from continuing operations would have been $52,149,444.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Business combination (continued)

Channel Financial Communication Pty Ltd

On 24 December 2007, the company acquired 100% of the voting shares of Channel Financial Communication Pty Ltd, a financial communications and investor relations consultancy company. Total consideration was $5,411,229 with $275,000 held by Commquest Limited in escrow, payable in cash and CommQuest shares with contingent consideration based on specified future financial performance hurdles being met.

The fair value of the identifiable assets and liabilities of Channel Financial Communication Pty Ltd as at the date of acquisition were:

	Recognised on Acquisition $	Carrying Value $
Plant and equipment	47,915	47,915
Deferred tax asset	64,743	64,743
Cash and cash equivalents	341,644	341,644
Trade receivables	596,924	596,924
	1,051,226	1,051,226
Trade payables	(505,995)	(505,995)
Provisions	(157,510)	(188,981)
	(663,505)	(694,976)
Fair value of identifiable net assets	387,721	
Goodwill arising from acquisition	4,774,205	
	5,161,926	
Cost of combination:		
Direct Costs relating to the acquisition	75,496	
Shares issued at fair value	2,611,430	
Cash paid	2,475,000	
Total cost of combination	5,161,926	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	341,644	
Cash paid	(2,475,000)	
Net consolidated cash outflow	2,115,356	

From the date of acquisition, Channel Financial Communication Pty Ltd has contributed $164,244 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,755,015 and revenue from continuing operations would have been $52,699,774.

28 Business combination (continued)

Web Development Group Pty Ltd and its controlled entities

On 19 February 2008, the company acquired 100% of the voting shares of Web Development Group Pty Ltd and its controlled entities, a full service digital marketing and services company. Total consideration was $15.3 million, payable in cash and CommQuest shares with contingent consideration based on specified future financial performance hurdles being met.

The consolidated fair value of the identifiable assets and liabilities of Web Development Group Pty Ltd as at the date of acquisition were:

	Consolidated	
	Recognised on Acquisition $	Carrying Value $
Plant and equipment	860,749	860,749
Trade receivables	3,763,232	3,763,232
Other receivables	2,450,846	2,450,846
	7,074,825	7,074,825
Trade payables	(1,038,670)	(1,038,670)
Other payables	(1,473,550)	(1,435,483)
Provisions	(558,110)	(558,110)
Provision for income tax	(679,901)	(679,901)
Bank overdraft and borrowings	(7,583,374)	(7,583,374)
	(11,333,605)	(11,295,538)
Fair value of identifiable net assets	(4,258,780)	
Goodwill arising from acquisition	19,696,804	
	15,438,024	
Cost of combination:		
Direct costs relating to the acquisition	141,081	
Shares issued at fair value	5,296,943	
Cash paid	10,000,000	
Total cost of combination	15,438,024	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	(7,583,374)	
Cash paid	(10,000,000)	
Net consolidated cash outflow	(17,583,374)	

From the date of acquisition, Web Development Group Pty Ltd and its controlled entities have contributed $1,268,775 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $2,408,174 and revenue from continuing operations would have been $61,061,015.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Business combination (continued)

Austral Media Group Pty Ltd

On 2 June 2008, the company acquired 100% of the voting shares of Austral Media Group Pty Ltd. Total consideration was $4.079 million, payable in cash and CommQuest shares with contingent consideration based on specified future financial performance hurdles being met.

The consolidated fair value of the identifiable assets and liabilities of Austral Pty Ltd as at the date of acquisition were:

	Recognised on Acquisition $	Carrying Value $
Plant and equipment	9,995	9,995
Cash and cash equivalents	(2,095)	(2,095)
Trade receivables	332,502	332,502
Other receivables	1,236,884	1,236,884
Deferred tax asset	5,087	5,087
	1,582,373	1,582,373
Trade payables	60,290	60,290
Other payables	523,639	523,639
Provisions	307,658	307,159
	891,587	891,088
Fair value of identifiable net assets	690,786	
Goodwill arising from acquisition	3,414,160	
	4,104,946	
Cost of combination:		
Shares issued at fair value	1,323,000	
Cash paid	2,756,250	
Direct costs relating to the acquisition	25,696	
Total cost of combination	4,104,946	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	(2,095)	
Cash paid	(2,756,250)	
Net consolidated cash outflow	(2,758,345)	

From the date of acquisition, Austral Pty Ltd has contributed $537,690 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been $3,250,246 and revenue from continuing operations would have been $53,978,417.

In June 2008, the company acquired the business assets of Inspirus Pty Ltd for cash and share consideration of $1,275,798 and $63,904 respectively. The carrying value of the assets acquired were nil with goodwill being $1,339,702.

29 Commitments and Contingencies

(i) Leasing commitments

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and items of office equipment. These leases have an average life of between 3 and 6 years with optional renewal periods included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Within one year	**2,811,461**	1,363,841	**491,185**	–
After one year but not more than five years	**5,655,435**	2,835,777	**1,792,454**	–
After more than five years	**1,366,387**	–	**–**	–
Total minimum lease payments	**9,833,283**	4,199,618	**2,283,639**	–

Finance lease and hire purchase commitments – Group as lessee

The Group has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of $254,875 (2007: $222,783) for both the Group and the Company. These lease contracts expire within 1 to 3 years. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Within one year	**352,715**	324,684	**–**	–
After one year but not more than five years	**289,019**	473,714	**–**	–
After more than five years	**–**	–	**–**	–
Total minimum lease payments	**641,734**	798,398	**–**	–
Less amounts representing finance charges	**(111,495)**	(104,507)	**–**	–
Present value of minimum lease payments	**530,239**	693,891	**–**	–
Included in the financial statements as:				
Current interest-bearing loans and borrowings (note 18)	**570,352**	267,472	**–**	–
Non-current interest-bearing loans and borrowings (note 18)	**277,380**	426,419	**–**	–
Total included in interest-bearing loans and borrowings	**847,732**	693,891	**–**	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

30 Events after the balance sheet date

The company completed the acquisition of MobiData Holdings Ltd "MobiData" on 1 July 2008. Purchase consideration was made up of a pre-completion payout of $200,000 paid in April 2008, a deferred payment and an application revenue payment. The application revenue payment is to be equal to 50% of the revenues generated for a 30 month period from the acquired application software launch date. The maximum amount payable by the company is capped at $16,000,000. The deferred payment element of the purchase consideration will only be payable if the application revenue paid by the company is less than $100,000 for the period from the launch date to 24 December 2008. The deferred payment is calculated by subtracting application revenue paid from $100,000 with the difference payable on or before 14 January 2009.

CommQuest has reached agreement to place 14.5 million new CommQuest shares with investment funds managed by LCWIM at 25 cents each, raising $3.63 million. This will represent 15% of CommQuest's post-placement issued capital. Proceeds will initially be applied in the reduction of the Company's existing debt.

Of the 14.5 million of shares being placed, 4.91 million will be issued on or about 1 September 2008 with the balance subject to CommQuest shareholder approval, which will be sought at the Company's AGM in November of this year. The Company is permitted to issue up to 15% of its capital in a 12 month period without shareholder approval and as the company has already issued/is required to issue 7.13 million shares as consideration payable in relation to the businesses acquired at and after IPO (for which no waiver of ASX Listing Rule 7.1 applies), CommQuest shareholder approval will be required for part of the placement.

31 Auditors' remuneration

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Amounts received or due receivable by Ernst & Young Australia for:				
An audit or review of the financial report of the entity in the consolidated group	**546,463**	40,000	**546,463**	–
Other services				
Tax compliance services	**24,140**	–	**–**	–
Assurance services	**–**	9,597	**–**	–
IPO services	**1,068,428**	–	**–**	–
	1,639,031	49,597	**546,463**	–

Directors' Declaration

In accordance with a resolution of the directors of Commquest Limited, I state that:

1. In the opinion of the directors:
   (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.

On behalf of the Board

W.H.A. Scott
Director

Melbourne, 29 August 2008

Auditor's Report

ERNST & YOUNG

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8 Exhibition Street
Melbourne VIC 3000 Australia
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Independent auditor's report to the members of Commquest Limited

Report on the Financial Report

We have audited the accompanying financial report of Commquest Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Commquest Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Commquest Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 23 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Commquest Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Don Brumley
Partner
Melbourne
29 August 2008

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 July 2008.

(a) Distribution of equity securities

(i) Ordinary share capital

- 82,377,875 fully paid ordinary shares are held by 701 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

- 750,000 options are held by 8 individual option holders.
  Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Options
1 – 1,000	14	–
1,001 – 5,000	231	–
5,001 – 10,000	151	–
10,001 – 100,000	243	5
100,001 and over	62	3
	701	8
Holding less than a marketable parcel	151	–

(b) Substantial shareholders

Ordinary Shareholders	Fully paid Number	Percentage
WHAS Investments Pty Ltd	13,732,816	16.67
JKM Consolidated Holdings Pty Ltd	12,666,189	15.38
First Nelson Pty Ltd	5,705,968	6.93
Mr Steven Pharr	4,325,031	5.25
	36,430,004	44.23

(c) Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid Number	Percentage
WHAS Investments Pty Ltd	13,732,816	16.67
JKM Consolidated Holdings Pty Ltd	12,666,189	15.38
First Nelson Pty Ltd	5,705,968	6.93
Mr Steven Pharr	4,325,031	5.25
Cogent Nominees Pty Ltd	3,269,658	3.97
Confute Pty Ltd	2,852,984	3.46
Notoll Nominees Pty Ltd	2,756,250	3.35
K Addis Pty Ltd	1,995,340	2.42
B Coulson Pty Ltd	1,922,840	2.33
ANZ Nominees Limited	1,722,013	2.09
Mr Peter John Stirling and Mrs Rosalind Verena	1,321,215	1.60
J Noal Pty Ltd	1,267,231	1.54
UBS Wealth Management Australia Nominees Pty Ltd	1,089,843	1.32
Beta Gamma Pty Ltd	1,000,000	1.21
Aust Executor Trustees NSW Ltd	984,700	1.20
Mr Paul Dominic Kelly and Mrs Ciara Yvonne Kelly	941,055	1.14
Viburnum Pty Ltd	941,055	1.14
Investant Pty Ltd	874,554	1.06
Lonart Pty Ltd	736,000	0.89
National Nominees Limited	644,163	0.78
	60,748,905	73.73

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Corporate Directory

Directors

Mr John A Hall (Chairman)

Mr William H A Scott (Executive Director and Chief Executive Officer)

Mr Jordan K Muir (Executive Director and Chief Operating Officer)

Mr Eric B Coulson (Executive Director and Chief Marketing Officer)

Mr Paul X Tobin (Non-Executive Director)

Mr Thomas J R O'Brien (Non-Executive Director)

Company Secretaries

Mr Jonathon Meredith-Smith
Ms Sophie Karzis

Registered Office

Level 3
554 Church Street
Richmond Victoria 3121

Principal Place of Business

Level 3
554 Church Street
Richmond Victoria 3121

Share Register

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Commquest Limited Shares are listed on the Australian Stock Exchange (ASX)

Solicitors

Minter Ellison
525 Collins Street
Melbourne Victoria 3000

Bankers

ANZ
Level 8, 287 Collins Street
Melbourne Victoria 3000

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Internet Address

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CommQuest
Imagination • Integration • Communication