CommStrat
Excellence in Media

31 August 2010

Company Announcements Office

Australian Securities Exchange

2010

Appendix 4E

Preliminary Final Report

CommStrat Limited (COJ) is pleased to present its Appendix 4E Statement and Preliminary Final Report for the year ended 30 June 2010

Matthew Johnson

CEO and Company Secretary

For more information please contact:

Mr. Matthew Johnson, Chief Executive Officer, Telephone 02 8923 8030; Mobile 0414 776 845

Commstrat Limited and its controlled entities

ABN 31 008 434 802

Financial Information for the year ended 30 June 2010 provided to the ASX under listing rule 4.3a

99 Bay St Brighton VIC 3186
Postal Address – PO Box 84 Hampton VIC 3188
Telephone: (03) 8534 5000
Facsimile: (03) 9530 8911
Website: www.commstrat.com.au

Appendix 4E
Preliminary Final Report

Name of entity
Commstrat Limited and its controlled entities

ABN or equivalent company reference: 31 008 434 802

1. REPORTING PERIOD

Report for the financial year ended	30 June 2010
Previous corresponding period is the financial year ended	30 June 2009

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	up	15%	to	$9,223,074
Profit (loss) from ordinary activities after tax attributable to members	down	344%	to	($221,061)
Net profit (loss) for the period attributable to members	down	344%	to	($221,061)

Dividends	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil

During the year CommStrat Limited achieved earnings before interest, tax, depreciation and amortisation from continuing operations of $699,885, (2009 $989,295) and incurred a statutory loss of $221,061 (2009 $90,509 profit).

This result remains below the Directors' expectations.

CommStrat Limited acquired Hallmark Editions in April 2008. It was expected that future recurring reported earnings at the EBITDA level, after corporate costs, would be north of $2m per annum. The financial aspects of the acquisition were structured on that basis and CommStrat and the Stirling family, as vendors of the Hallmark business, agreed to a 'vendor' debt level of $5.4m on acquisition repayable 2.5 years later.

The lower profitability has impacted debt repayment expectations.

The effects of the GFC became apparent in November 2008. A number of, in particular international, clients withdrew advertising. Concurrently forward bookings shortened. Conference attendance reduced and related conference sponsorship shortened. Competition for advertising dollars strengthened and competitor rates reduced.

CommStrat's profitability accordingly reduced.

In these circumstances the company could choose to either reduce head count or, recognising that the adverse conditions would give rise to opportunities, pursue a modest short to medium term growth path was that to become available. This was unique to CommStrat where Peter Stirling, our Managing Director, in pursuing a growth path could also influence the debt repayment profile which was an essential building block.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONT'D)

CommStrat's internal sales, editorial and production teams are a valuable asset. Impacting the cohesion of the team would potentially damage the quality of our product and impact revenues. Replacement costs when the economy recovered was seen as expensive.

A modest growth path to take advantage of CommStrat's relative stability, cash flow and 'friendly' debt provider was pursued with a view to the medium term.

Four key opportunities were pursued and implemented.

- Focus - is a publisher of corporate and stakeholder custom books, corporate, family and business histories and anniversary books. The Focus brand, together with key personnel, was acquired in May 2009 for a modest outlay of \$20k plus the absorption of certain costs for books then in production of a further \$100k. The nature of Focus' business requires a lead time approximating one year between identifying and agreeing the production of a book to its publication. Accordingly 2010 has largely been a developmental year for the Focus division. CommStrat has 'invested' in 2010 in that development through incurred salary and cash costs of some \$300k. Concurrent with the Focus acquisition new premises were acquired to accommodate the expanded team in Sydney. Reported 2010 Focus revenue is \$378k. At 30 June 2010 Focus unearned income, reflecting progress payment invoicing, amounted to \$826k. At the date of writing estimated revenue for books contracted for delivery in 2011 is \$2.25mil.
- Conferences – a small team of experienced conference developers and managers became available, in the important Sydney market where CommStrat is focused on growing its presence, with skills in information technology. Conferences were initiated and scheduled to run in November 2009. It became apparent in the immediate lead up to these conferences that we were too early in any recovery cycle and attendance numbers would not meet minimum requirements. The conferences were cancelled and the team disbanded. Direct conference costs incurred and related salaries were \$160k.
- Finance & Treasury Association (FTA) – we referred in the 2009 annual report to entering an agreement in July 2009 to provide a range of secretariat and conference management services to the Association drawing on CommStrat's skill base and history of working closely with a number of not-for-profit organisations. We have now completed a successful and productive year in partnership with the FTA including the organising of their flagship annual Congress.
- Government and Technology Review (GTR) – a communication opportunity within Federal Government was recognised to provide a new specialist magazine that is tightly focussed on providing government IT managers with timely and significant information about the rapidly changing and dynamic IT field. The magazine will also provide a launching pad to create a series of informative IT conferences for the public sector. An implementation plan was developed, new skills acquired and a six month establishment program was successfully concluded with the launch of the first issue of GTR in June 2010. Establishment and launch costs were \$150k.

While these initiatives were pursued the base business continued to be challenging. Advertising revenues stopped declining, stabilised and in some areas have shown signs of recovery. However advertising in the My Business magazine, exposed to the SME market, continues to be down on historic revenues. Conference revenue is up, principally reflecting certain biannual conferences recurring in 2010 together with the new FTA conference however margins were patchy and in some cases conferences have been run at close to breakeven in order to retain our positioning in the market place.

In these circumstances in addition to pursuing the initiatives outlined above a strategic review of the business was conducted in the March to April 2010 period. CommStrat was fortunate to engage Matthew Johnson to drive that review and we were very pleased to then engage Matthew as CEO effective 18 May 2010.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONT'D)

The key outcomes of the review are:

- Refresh the SME magazine, My Business, presentation and expand competencies in event management to broaden the magazine's engagement with the SME sector through the holding of annual business expos in Sydney and Melbourne with associated seminars and the My Business annual awards event.
- Expand the 'jobs board' employment position listing service across further communities within CommStrat's communication reach.
- Introduce dedicated product teams to improve product focus, growth potential and capacity.
- Close the loss making Australian Heritage publication effective 30 June 2010.
- Standardise customer relationship software and improve back office efficiencies.

Matthew has already made significant inroads on these key outcomes and we plan for Matthew to present an informed forward outlook at the 2010 AGM.

The statutory 2010 result below the EBITDA line has been impacted by the non recurring write off the Australian Heritage and LG Jobs New Zealand masthead ($102k), calendar 2011 customer contract amortisation ($164k) where we have been advised the customer will not take up their option to extend our mutual contract past calendar 2010 and Focus costs ($101k) absorbed on acquisition, accounted as goodwill, and now expensed on production of the related books.

We are cautiously confident of an improved profit outcome in 2011. We are not relying on any economic recovery to boost advertising revenues back to pre GFC levels. The initiatives outlined above are expected to provide improved revenue levels in 2011 over 2010 although the loss of the particular customer contract referred to above from 1 January 2011 will have a half years impact. Initiatives to improve back office software improvements have already been implemented and cost improvements achieved. In respect to the 'vendor' debt the company expects to continue paydown throughout the remaining debt term to 1 October 2011, achieve a debt to EBITDA ratio in the range 1.0 – 1.5 to 1.0 and to replace the unpaid 'vendor' debt with a third party banking facility. The Chief Executive Officer's KPI's are aligned to this outcome.

CommStrat will seek shareholder approval at the 2010 AGM for certain equity participation schemes for application as part of Matthew Johnson's remuneration package but also in preparation for 2012 to allow participation by CommStrat employees.

The corporate governance practices at Commstrat comply with the ASX Principles of Good Governance and Best Practice Recommendations to the extent possible within a small board of three directors.. We have recently updated our Corporate Governance policies and these have been posted to CommStrat's website.

I would like to take the opportunity to thank the Stirling's.

Peter and Ros Stirling have been synonymous with Hallmark Editions and now CommStrat for some 20 years. Peter has not only been Managing Director of our company but has also been an active managing editor of the My Business magazine. He has a unique understanding of, and network within, the Australian small business community. Peter stepped down from an active executive role on 30 June 2010 as a consequence of Matthew's appointment as CEO. We are fortunate to retain Peter as an ongoing Director. Ros has also been an active editor within the business in particular managing the Australian Heritage magazine over the past four-and-a-half years. However with subscriptions declining, the magazine is unfortunately no longer financially viable and Ros has taken the opportunity to join Peter in active retirement!

Importantly the Stirling's also agreed this year to extend the debt due to them arising from the acquisition of their business from a due date of 1 October 2010 to 1 October 2011, all other terms remaining the same.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONT'D)

Financial Analysis

	Notes	2010	2009
Revenues		$	$
- Advertising and subscriptions	1	4,748,759	4,594,720
- Conferences	2	2,859,280	2,297,477
- Jobs Board	3	1,236,684	1,116,611
- Focus – book publishing	4	378,351	-
Total Revenues		9,223,074	8,008,808
Earnings before interest, tax, depreciation and amortisation	5	699,885	989,295
Depreciation		(45,168)	(42,496)
Earnings before interest, tax and amortisation		654,717	946,799
Interest	6	(386,217)	(256,096)
Net profit before tax and amortisation		268,500	690,703
Income tax expense		(118,260)	(297,615)
Net profit before amortisation		150,240	393,088
Amortisation – recurring	7	(238,525)	(206,489)
Net (loss)/profit after tax and amortisation		(88,285)	186,599
Impairments			
- Company mastheads	8	(116,000)	(50,000)
- Customer contracts	9	(164,806)	-
- Customer order book	9	(101,803)	-
Profit/(loss) from discontinued operations	10	249,833	(46,090)
Statutory result (loss)/profit		(221,061)	90,509
Operational Cash Flows			
- Gross cash flows		862,636	1,407,050
- Net interest receipt/(payment)		(134,052)	32,990
		728,584	1,440,040
Net Debt			
- Cash on hand		740,633	506,630
- Debt			
Current		(1,500,000)	(1,500,000)
Non-current		(2,587,116)	(2,796,841)
		(3,346,483)	(3,790,211)
Unearned Income	11	1,773,976	1,361,536

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONT'D)

Notes:

1. Advertising and subscriptions

Advertising revenues have stabilised over 2010 after the company experienced a sharp decline in monthly revenues commencing November 2008. Revenues in 2010 now also reflect servicing the Finance & Treasury Association (FTA) secretariat and one issue of the newly launched Government & Technology Review magazine.

2. Conferences

CommStrat runs a range of conferences in the small business, local government and roads arenas. The uplift in 2010 revenues arises as a consequence of the biannual 'small bridges' and 'asphalt association' conferences together with the new FTA annual conference.

3. Jobs Board

The 'jobs board' is a weekly email and online service which lists employment positions available in local government, environment and related fields.

4. Focus

Focus is a publisher of corporate and stakeholder custom books, corporate, family and business histories and anniversary books. The Focus brand, together with key personnel, was acquired in May 2009. The nature of Focus' business requires a lead time approximating one year between identifying and agreeing the production of a book to publication. Accordingly 2010 has largely been a developmental year for the Focus division.

5. Earnings before interest, tax, depreciation and amortisation

Earnings at $700k (2009 $989k) on increased revenue of $1.1m reflect the following material factors:

- Focus start up costs	$300k
- Sydney conferences	$160k
- GTR start up costs	$60k
- New Sydney premises	$200k

6. Interest

Interest expense is incurred on the acquisition debt.

7. Recurring amortisation

Amortisation in respect to customer contracts in existence at the date Hallmark Editions was acquired or contracts acquired subsequently are amortised over the life of the contract period.

8. Masthead impairment

It was determined to discontinue the "Heritage" publication following the release of the winter issue. This quarterly, high quality, magazine was well received but was unprofitable under circumstances where it operated on a subscription only model. **A further impairment cost of $14k (2009 $50k) against the My Business masthead was also incurred.**

9. Customer contract impairment

On the acquisition of Hallmark Editions the identifiable intangible assets were valued including those publications produced on behalf of third party associations. In accordance with the accounting standards 'customer' contracts require their intangible asset to be amortised over the life of the contract. At the date of the acquisition it was decided that, where contracts had an option to extend, the amortisation period applied would include that extension period. CommStrat has now been advised in respect to one particular contract the extension will not be sought. Accordingly the remaining amortisation attaching to the extension period has been written off.

On the acquisition of the Focus business certain production costs attaching to books slated for delivery post production were absorbed. Revenue associated with the books was retained by the vendor. These costs were accounted for as customer contract intangibles and are now written off to reflect the book deliveries.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONT'D)

Notes (continued):

10. Discontinued operation

The New Zealand operations of the company were closed in 2009. In 2010 all external assets and liabilities were realised and the related positive foreign currency translation reserve has been transferred to profit.

11. Unearned income

	2010	2009
Unearned Income		
- Conferences and subscriptions	947,615	1,200,111
- Focus	826,360	161,425
	1,773,976	1,361,536

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Economic Entity 2010 $	2009 $
Revenue from continuing operations	2	9,223,074	8,008,807
Cost of sales		(2,269,577)	(1,947,504)
Gross profit		6,953,497	6,061,303
Other income	2	53,371	38,220
Distribution expenses		(69,908)	(30,609)
Sales and marketing expenses		(61,205)	(45,216)
Occupancy expenses		(645,239)	(462,968)
Administration expenses	3	(5,718,017)	(4,627,308)
Finance costs	3	(386,217)	(256,096)
Other expenses		(478,916)	(243,112)
Profit/(loss) before income tax expense		(352,634)	434,214
Income tax expense	4	(118,260)	(297,615)
Profit/(loss) from continuing operations		(470,894)	136,599
Profit/(loss) from discontinued operations	5	249,833	(46,090)
Profit/(loss) for the year		(221,061)	90,509
Other comprehensive income			
Exchange differences on translation of foreign operation		-	30,089
Discontinuation of foreign subsidiary, exchange differences on translation of foreign operations transferred to profit		(136,697)	-
Other comprehensive income		(136,697)	30,089
Total comprehensive income/(loss) for the year		**(357,758)**	**120,598**
Net profit/(loss) after income tax for the year attributable to members of the parent entity		(221,061)	90,509
Total comprehensive income/(loss) attributable to members of the parent entity		(357,758)	120,598

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Economic Entity	
		2010	2009
	Notes	$	$
Current assets			
Cash and cash equivalents	6	740,633	506,630
Trade and other receivables	7	1,838,410	1,337,448
Other current assets	8	316,380	139,405
Total current assets		2,895,423	1,983,483
Non-current assets			
Property, plant and equipment	9	70,589	81,358
Intangible assets	10	10,338,917	10,799,869
Deferred tax asset	4	1,969,833	2,134,984
Total non-current assets		12,379,339	13,016,211
Total assets		15,274,762	14,999,694
Current liabilities			
Trade and other payables	11	1,402,124	886,413
Borrowings	12	1,500,000	1,500,000
Employee benefits	13	261,267	252,427
Other current liabilities	14	1,857,261	1,585,826
Total current liabilities		5,020,652	4,224,666
Non-current liabilities			
Borrowings	12	2,587,116	2,769,841
Employee benefits	13	56,538	36,973
Total non-current liabilities		2,643,654	2,806,814
Total liabilities		7,664,306	7,031,480
Net Assets		7,610,456	7,968,214
Equity			
Issued capital	15	14,360,881	14,360,881
Reserves		24,000	230,482
Accumulated losses		(6,774,425)	(6,623,149)
Total equity		7,610,456	7,968,214

5. CONSOLIDATED STATEMENT OF CASH FLOWS

		Economic Entity	
		2010	2009
	Notes	$	$
Cash flows from operating activities			
Receipts from customers		8,993,547	8,832,683
Payments to suppliers and employees		(8,130,911)	(7,424,933)
Interest received		53,371	38,220
Finance costs		(187,423)	(5,930)
Net cash flows provided by operating activities	16(b)	728,584	1,440,040
Cash flows from investing activities			
Purchase of plant and equipment		(34,399)	(21,829)
Payments for investments		(160,182)	(20,000)
Proceeds from sale of current assets		-	17,273
Net cash flows used in investing activities		(194,581)	(24,556)
Cash flows from financing activities			
Repayment of loan		(300,000)	(1,270,847)
Net cash flows used in financing activities		(300,000)	(1,270,847)
Net increase in cash and cash equivalents held		234,003	144,637
Net cash and cash equivalents at the beginning of the year		506,630	361,993
Cash and cash equivalents at the end of the year	16(a)	740,633	506,630

6. STATEMENT OF RETAINED EARNINGS

	Consolidated Entity	
	2010	2009
Balance at the beginning of the year	(6,623,149)	(6,713,658)
Net profit attributable to members of the parent entity	(221,061)	90,509
Total available for appropriation	(221,061)	90,509
De-recognition of share option reserve	69,785	-
Dividends paid	-	-
Balance at the end of the year	(6,774,425)	(6,623,149)

7. NET TANGIBLE ASSETS PER SECURITY

	Current period (cents)	Previous corresponding period (cents)
Net tangible asset backing per ordinary security	(0.4774)	(0.4954)

8. EARNINGS PER SECURITY

	Current period	Previous corresponding period
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company (cents per share) from continuing and discontinued operations	(0.0004)	0.0002
Profit/(loss) attributable to the ordinary equity holders of the Company (cents per share) from continuing operations only	(0.0008)	0.0002
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company (cents per share) from continuing and discontinued operations	(0.0004)	0.0002
Profit/(loss) attributable to the ordinary equity holders of the Company (cents per share) from continuing operations only	(0.0008)	0.0002
Earnings used in calculating basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing and discontinued operations	(221,061)	90,509
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations only	(470,894)	136,599
Weighted average number of shares used in the calculation of basic and diluted earnings per share		
Weighted average number of ordinary shares used as the calculation of basic earnings per share	571,556,469	571,556,469
Adjustments for calculation of diluted earnings per share: Options	4,000,000	6,100,000
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	575,556,469	577,656,469

9. AUDIT OF THE FINANCIAL REPORT

The financial report is in the process of being audited.

The financial information provided in the Appendix 4E is based on the annual financial report, which has been prepared in accordance with Australian accounting standards

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 1 - Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity being Commstrat Limited and controlled entities. Commstrat Limited is a listed public Company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRS).

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity Commstrat Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end. No controlled entities have left or entered the group during the financial year.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Commstrat Limited.

b. Income Tax

The charge for current income tax expense (benefit) is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 1 - Statement of Significant Accounting Policies (continued)

b. Income Tax (continued)

Deferred tax assets and deferred tax liabilities are offset when the entity has:

— legally enforceable right to offset current tax assets with current tax liabilities,

— the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Commstrat Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each Company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. 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 and 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 are initially recorded at fair value 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.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

d. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible 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.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 1 – Statement of Significant Accounting policies (continued)

e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	15–33%
Plant and equipment	4–50%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

f. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

g. Financial Instruments

Initial recognition and measurement

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 1 – Statement of Significant Accounting Policies (continued)

h. 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

i. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its ownership interest in the net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangibles

Mastheads are recognised at fair value on the date of acquisition. Mastheads have an indefinite useful life and are tested annually for impairment. Mastheads are carried at cost less accumulated impairment losses.

Customer databases are recognised at fair value on the date of acquisition. Customer databases have a finite useful life and are amortised by reference to the number of customers lost to the database. Customer databases are carried at cost less accumulated impairment losses.

Customer contracts are recognised at fair value on the date of acquisition. Customer contracts have a useful life of 3 years and are amortised on a straight line basis over the term of the contract. The remaining useful life of the customer contracts at 30 June 2010 is 6 months-4 years.

k. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 1 – Statement of Significant Accounting Policies (continued)

k. Foreign Currency Transactions and Balances (continued)

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the income statement in the period in which the operation is disposed, as part of the gain or loss on sale where applicable.

l. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows which takes into account, wage increase and retention rates to be made for those benefits. Present value of the estimated future cash outflows are discounted at the Commonwealth Bond rates.

Superannuation schemes

Contributions are made by the economic entity to defined contribution employee superannuation funds and are charged as expenses when incurred.

Equity-settled compensation

The group operates an employee share option place and an employee share scheme. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of the options at grant date is determined using a Black-Scholes options pricing model, and is recognised as an employee expense over the period during which the employee becomes entitled to the option. The market value of share issued to employees for no cash consideration under the employee share scheme is recognised as an expense when the employees become entitled to the shares.

m. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

n. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 1 – Statement of Significant Accounting Policies

o. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers i.e. upon publication of a magazine or periodical in which the advertisement is placed. Money received in advance of the delivery of a service is recorded as a liability and disclosed as unearned income in the financial statements. Unearned income is brought to account as revenue upon the delivery of the service to a customer.

All revenue is stated net of the amount of goods and services tax (GST).

p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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. The company operates in one business segment, being the publication of periodicals, journals, and other specialist magazines.

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. The company operates in two geographical segments, being Australia and New Zealand.

t. Discontinued Operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, which is part of a single coordinated plan to dispose of such a line of business or area of operations, or it a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and that assets and liabilities are presented in Note 5.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 1 – Statement of Significant Accounting Policies

u. New Accounting Standards and Interpretations

Due to new or revised accounting standards which became operative for the annual reporting period commencing 1 July 2009, CommStrat Limited had to change some of its accounting policies as described below.

Principles of consolidation

The changes in revised AASB 127 Consolidated and Separate Financial Statements were implemented prospectively from 1 July 2009.

Segment Reporting

The Group has applied revised AASB 8 Operating Segments as of 1 July 2009. Operating segments are now reported based on internal reporting provided to the CEO, who is the Group's chief operating decision maker. This has resulted in a change from reporting based on geographical segments to reporting based on significant revenue streams.

Comparative segment information has been restated in this half-year financial report to conform to the transitional requirement of AASB 8.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

— the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;

— other financial statements are renamed in accordance with the Standard;

— presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$
Note 2 – Revenue and other income		
Revenue and other income from continuing operations:		
Sale of goods	9,223,074	8,008,807
Other income:		
Interest received	7,600	3,387
Other income	45,771	34,833
	53,371	38,220
Total revenue and other income from continuing operations	9,276,445	8,047,027
Revenue and other income from discontinuing operations:		
Sale of goods	-	2,200
Other income	294,374	21,649
Total revenue and other income from discontinuing operations	294,374	23,849

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	**2009**
	$	**$**
Note 3 – Profit/(loss) for the year		
(a) Profit/(loss) for the year from continuing operations		
Profit/(loss) before tax includes the following specific expenses		
Finance costs:		
Director related entities	384,773	255,097
Other	1,444	999
Total finance costs	386,217	256,096
Depreciation, amortisation and impairment of non-current assets:		
Leasehold improvements depreciation	873	867
Plant & equipment depreciation	44,295	41,629
Customer contracts amortisation	403,331	206,489
Mastheads impairment	116,000	50,000
Customer order book amortisation	101,803	-
	666,302	298,985
Loss on disposal of non-current assets	-	31,082
Operating lease expenses	508,682	355,785
Employee expenses:		
Salaries, wages and other employee expenses	3,901,356	3,176,255
Superannuation	296,441	245,270
Total employee expenses	4,197,797	3,421,525
Administration expenses:		
Salaries and wages	3,583,964	2,910,005
Audit and professional fees	221,402	107,977
Other	1,898,651	1,609,326
Total administration expenses	5,704,017	4,627,308

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$
Note 3 – Profit/(loss) for the year (continued)		
(a) Profit/(loss) for the year from continuing operations (continued)		
Other expenses:		
Directors fees	87,200	70,621
Share registry and listing fees	24,634	30,803
Other	372,822	141,688
Total other expenses	484,656	243,112
(b) Profit/(loss) for the year from discontinuing operations		
Profit/(loss) before tax includes the following specific expenses		
Finance costs:		
Other	-	2,178
Total finance costs	-	2,178
Other expenses:		
Unrealised exchange (gain)/loss	(7,485)	30,450
(c) Revenue and net gains from discontinued operations		
Bad debts recovered	-	41,984

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	**2009**
	$	**$**
Note 4 – Income tax		
(a) The components of income tax expense are:		
Deferred tax	170,801	272,002
Under/over provision	(5,650)	3,570
Total income tax expense	165,151	275,572
(b) The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statements as follows:		
Profit/(loss) before tax from continuing operations	(352,634)	434,214
Profit/(loss) before tax from discontinued operations	296,724	(68,133)
Total profit before income tax	(55,910)	366,081
At the statutory income tax rate of 30% (2009: 30%)	(16,773)	109,824
Add/(less) tax effect:		
Tax losses and temporary differences not brought to account	(1,117)	10,488
Other non-allowable items	42,502	74,743
Amortisation on intangibles	111,389	61,947
Impairment on intangibles	34,800	15,000
Under/over provision from the prior year	(5,650)	3,570
	165,151	275,572
Income tax expense from continuing operations	118,260	297,615
Income tax expense/(benefit) from discontinuing operations	46,891	(22,043)
Income tax expense	165,151	275,572
(c) Deferred tax relates to the following:		
Deferred tax assets		
Debt deductions	5,775	3,465
Accrued expenses	29,711	98,235
Employee benefits	95,342	86,820
Capital raising costs	40,662	60,992
Legal fees	8,054	14,561
Intangibles	9,611	-
Depreciation	256	-

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$
Note 4 – Income tax (continued)		
(c) Deferred tax relates to the following (continued):		
Losses available for offset against future income	1,821,431	1,902,265
Total deferred tax assets	2,010,842	2,166,338
Deferred tax liabilities		
Unrealised foreign currency gains	(41,009)	-
Depreciation	-	(294)
Intangible customer order book	-	(30,541)
Prepayments	-	(519)
Total deferred tax liabilities	(41,009)	(31,354)
Total net deferred tax assets	1,969,833	2,134,984

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 5 – Discontinued operations

(a) During the course of the second half of the 2008 financial year, the legacy business of 900 Degrees Limited progressively ceased operation. Subscriptions on the remaining publications have continued to expire whilst Private Equity Media and Irrigation Journals were transferred into the main operating subsidiary Hallmark Editions Pty Ltd. The New Zealand operation was sold to local management with the consideration of $20,000 being contingent on the renewal of specific publication contracts in the 30 June 2009 financial year. No portion of the disposal consideration was discharged by means of cash and cash equivalents.

(b) The result of the discontinued operation for the period until disposal is presented below:

	Economic Entity	
	2010	**2009**
	$	**$**
(i) Financial performance information		
Revenue	-	2,200
Expenses	(5,135)	(71,454)
Unrealised Exchange gain	7,485	-
Other income	157,677	1,121
Other income – gain on foreign currency translation reserve on discontinued operation	136,697	-
Profit/(loss) before income tax	296,724	(68,133)
Income tax benefit/(expense)	(46,891)	22,043
Profit/(loss) after tax for the year	249,833	(46,090)
(ii) Cash flow information		
Net cash inflow/(outflow) from operating activities	(7,354)	13,723
Net cash inflow/(outflow) from financing activities	6,395	(78,789)
Net cash inflow/(outflow)	(959)	(65,066)
(iii) Carrying amount of assets and liabilities		
Assets		
Cash	257	1,217
Receivables	970	2,595
Total assets	1,227	3,812
Liabilities		
Payables	(4,875)	(10,605)
Other liabilities	(4,873)	(160,417)
Total liabilities	(9,748)	(171,022)
Net Liabilities	(8,521)	(167,210)

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$
Note 6 - Cash and cash equivalents		
Cash on hand	816	97
Cash at bank	739,817	506,533
	740,633	506,630
Note 7 – Trade and other receivables		
Trade receivables	1,876,696	1,365,419
Provision for impairment	(38,286)	(27,971)
	1,838,410	1,337,448
Note 8 – Other current assets		
Prepayments	265,409	88,248
Deposits paid	62,869	49,788
Other	(11,898)	1,369
	316,380	139,405
Note 9 – Property, plant and equipment		
Leasehold improvements	4,505	4,505
Less accumulated depreciation	(3,289)	(2,416)
	1,216	2,089
Plant and equipment	335,222	300,825
Less accumulated depreciation	(265,849)	(221,556)
	69,373	79,269
Total property, plant and equipment	70,589	81,358

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 9 – Property, plant and equipment (continued)

Movements in carrying amounts

The movements in the carrying amount of property, plant and equipment between the beginning and end of the current financial year is as follows:

	Leasehold improvements	Plant and equipment	Total
Economic Entity	**$**	**$**	**$**
2010			
Balance at the beginning of the financial year	2,089	79,269	81,358
Additions at cost	-	34,399	34,399
Depreciation expense	(873)	(44,295)	(45,168)
Carrying amount at the end of the financial year	1,216	69,373	70,589
2009			
Balance at the beginning of the financial year	2,956	152,823	155,779
Additions at cost	-	21,829	21,829
Additions at cost through business combination	-	8,550	8,550
Disposals	-	(48,355)	(48,355)
Depreciation expense	(867)	(55,578)	(56,445)
Carrying amount at the end of the financial year	2,089	79,269	81,358

	Economic Entity	
	2010	**2009**
	$	**$**
Note 10 – Intangible assets		
Goodwill	8,720,686	8,720,686
Company mastheads	1,383,000	1,383,000
Less accumulated impairment	(166,000)	(50,000)
	1,217,000	1,333,000
Customer database	149,000	149,000
Customer contracts	913,673	753,491
Less accumulated amortisation	(661,442)	(258,111)
	252,231	495,380
Customer order book	-	101,803
	10,338,917	10,799,869

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

Note 10 – Intangible assets (continued)

Movements in carrying amounts

The movements in the intangible assets between the beginning and end of the current financial year is as follows:

	Goodwill	Company mastheads	Customer database
Economic Entity	**$**	**$**	**$**
2010			
Balance at the beginning of the financial year	8,720,686	1,333,000	149,000
Impairment expense	-	(116,000)	-
Carrying amount at the end of the financial year	8,720,686	1,217,000	149,000

	Customer contracts	Customer order book	Total
	$	**$**	**$**
Balance at the beginning of the financial year	495,380	101,803	10,799,869
Additions at cost	160,182	-	160,182
Amortisation expense	(403,331)	(101,803)	(505,134)
Impairment expense	-	-	(116,000)
Carrying amount at the end of the financial year	252,231	-	10,338,917

	Goodwill	Company mastheads	Customer database
2009	**$**	**$**	**$**
Balance at the beginning of the financial year	8,592,939	1,383,000	149,000
Additions at cost	127,747	-	-
Impairment expense	-	(50,000)	-
Carrying amount at the end of the financial year	8,720,686	1,333,000	149,000

	Customer contracts	Customer order book	Total
	$	**$**	**$**
Balance at the beginning of the financial year	701,869	-	10,826,808
Additions at cost	-	101,803	229,550
Amortisation expense	(206,489)	-	(206,489)
Impairment expense	-	-	(50,000)
Carrying amount at the end of the financial year	495,380	101,803	10,799,869

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$
Note 11 – Trade and other payables		
Trade creditors	651,397	185,647
Accrued expenses	750,727	700,766
	1,402,124	886,413
Note 12 – Borrowings		
Current		
Deferred payment for acquisition of Hallmark Editions Pty Ltd	1,500,000	1,500,000
Non-current		
Deferred payment for acquisition of Hallmark Editions Pty Ltd	2,587,116	2,769,841
	4,087,116	4,269,841
Payable:		
Not later than 1 year	1,500,000	1,500,000
Later than 1 year but not later than 5 years	2,587,116	2,769,841
	4,087,116	4,269,841
Note 13 – Employee benefits		
Current		
Employee benefits	261,267	252,426
Non-current		
Employee benefits	56,538	36,973
Total employee benefits	317,805	289,400
Note 14 – Other current liabilities		
Unearned income	1,773,976	1,361,536
Other payables	83,285	224,290
	1,857,261	1,585,826

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$
Note 15 – Issued capital		
Share capital – 571,556,469 (2009: 571,556,469) fully paid shares	14,360,881	14,360,881

Movements in carrying amounts

	Number of shares	$
Opening balance 1 July 2008	571,556,469	14,360,881
Closing balance 30 June 2009	571,556,469	14,360,881
Opening balance 1 July 2009	571,556,469	14,360,881
Closing balance 30 June 2010	571,556,469	14,360,881

10. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

	Economic Entity	
	2010	2009
	$	$

Note 16 – Notes to the cash flow statement

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year and shown in the consolidated statement of cash flows is reconciled to the related items in the statement of financial position as follows:

(a) Reconciliation of cash

	2010 $	2009 $
Cash on hand	816	97
Cash at bank	739,817	506,533
	740,633	506,630

(b) Reconciliation of cash flows from operating activities after income tax

	2010 $	2009 $
Profit/(loss) after income tax expense	(221,061)	90,509
Depreciation and amortisation on non current assets	448,499	262,934
Loss on disposal of non current assets	-	31,082
Impairment loss	217,803	50,000
Amounts set aside to provisions	28,405	78,994
Exchange gain	(136,697)	30,089
Bad and doubtful debts	-	19,250
Imputed interest expense	117,275	250,166
(Increase)/decrease in working capital:		
Trade receivables	(500,962)	10,318
Other current assets	(176,975)	70,311
Trade payables	515,711	474
Sales in advance and unearned income	412,440	813,558
Other current liabilities	(141,005)	(533,212)
Tax balances	165,151	265,567
Net cash flows from operating activities	728,584	1,440,040

Note 17 - Segment Reporting

(a) Description of Segments
The Company has identified its operating segments based on the internal reports that are used by the directors in assessing performance and the allocation or resources. The Company's operating segments are identified by the nature of revenue generated and the relative risks of each segment. The two defined operating segments are;

- Conference and Events
- Print and Email Communication

(b) Segment Information from continuing operations

	Conference and Events $	Print and Email Communication $	Total $
2010			
Segment revenue			
Total segment revenue	2,859,280	6,363,794	9,223,074
Segment results			
Total segment result	1,934,286	5,019,211	6,953,497
Unallocated expenses			
- Other income			53,371
- Administration expenses			(1,520,220)
- Occupancy expenses			(645,239)
- Employee benefits expenses			(4,197,797)
- Finance costs			(386,217)
- Other expenses			(610,029)
Net loss before tax from continuing operations			(352,634)
Income tax expense			(118,260)
Net loss after tax from continuing operations			**(470,894)**
2009			
Segment revenue			
Total segment revenue	2,301,066	5,707,741	8,008,807
Segment results			
Total segment result	1,305,750	4,755,553	6,061,303
Unallocated expenses			
- Other income			38,220
- Administration expenses			(878,583)
- Occupancy expenses			(462,968)
- Employee benefits expenses			(3,421,525)
- Finance costs			(256,096)
- Other expenses			(646,137)
Net profit before tax from continuing operations			434,214
Income tax expense			(297,615)
Net profit after tax from continuing operations			**136,599**

(c) Segment Assets and Liabilities
Due to the nature of the business, segment assets and liabilities have not been disclosed as they are not easily segregated into the reporting segments identified above. Furthermore, segmental asset and liability reporting is not used by the Company as part of its internal reporting.