Appendix 4D for the Half Year Ended 31 December 2008

Results for announcement to the market

Commquest Ltd

ABN 95 123 287 025

Current Reporting Period – Half year Ended 31 December 2008
Previous Reporting Period – Half year Ended 31 December 2007

The Appendix 4D for the half year ended 31 December 2008 should be read in conjunction with the annual report of the year ended 30 June 2008.

Revenues	up	124.2%	to	$37,628,790
Loss after tax attributable to members	up	3,129.3%	to	$46,389,584
Net loss for the period attributable to members	up	3,129.3%	to	$46,389,584

Dividends (distribution)	**Amount per Security**	**Franked Amount per Security**
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

Net tangible asset per security	**Current period**	**Previous corresponding period**
Cents per security	(1.4)	8.9

Refer to the Director's Report – Review of Operations, for explanation of figures above.

Refer to note 5 in the Condensed Interim Financial Report for the half-year ended 31 December 2008 for details of business combinations.

Commquest Limited

ACN 123 287 025

Condensed Interim Financial Report

for the half-year ended 31 December 2008

Corporate Information

ACN 123 287 025

Directors
Mr Thomas J R O'Brien (Non-Executive Director) (Chairman from 18 February 2009)
Mr William H A Scott (Executive Director and Chief Executive Officer)
Mr Jordan K Muir (Executive Director and Chief Operating Officer)
Mr Paul X Tobin (Non-Executive Director)

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 Servcies Pty Ltd
Yarra Falls, 452 Johston 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
www.commquest.com

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Directors' Report

The directors present their report together with the condensed consolidated financial report for the half-year ended 31 December 2008.

Directors

The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated:

Mr John A Hall (Chairman) (resigned 18 February 2009)
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) (resigned 20 November 2008)
Mr Paul X Tobin (Non-Executive Director)
Mr Thomas J R O'Brien (Non-Executive Director) (Chairman from 18 February 2009)

Principal Activities

The principal activities of the entity during the half-year were:

- Direct sales and marketing
- Advertising and public relations
- Digital and mobile marketing

Review and results of operations

The results of the half year ended 31 December 2008 have been below expectations primarily due to the decline in profitability of the advertising and public relations segment, however performance in general across most of the operating entities was less than forecast. Contributing factors to the decline in the advertising sector are the economic downturn and decreased profit margins within these businesses. The Board prior to the end of the reporting period initiated a review of all businesses with an aim of refocussing business efforts and resources to profitable business segments. Cost cutting via a review of administrative costs inherited from the group's acquisitions as a result of streamlining services and businesses within the group was also undertaken. The effects of these initiatives will be realised by the Group in the coming months. Furthermore, as the market continues to deteriorate, the Board has formed a Restructure Plan for immediate implementation to improve both the performance of the overall group as well as reduce exposures to the business, predominantly as it relates to the debt position of the Company. This Restructure Plan is intended to be completed by 30 June 2009 with the results of the restructure being communicated to shareholders accordingly.

The Board has determined that at this time it is prudent to take a more conservative view regarding the carrying value of key assets and as such have incurred non-cash impairment charges of $45,349,624 as a result of goodwill and intangible asset impairment and $691,361 of bad debt write downs due to the general decline in the advertising and public relations segment and the overall deterioration in the economy, particularly relating to its impact on marketing services organisations.

Sales revenue for the half-year was $37,628,790 (2007: $16,782,648) representing an increase of 124%. This was largely due to business acquisitions made by group during the June 2008 financial year after having reported a full 6 months worth of trading. In addition the group completed the acquisitions of Mobidata Holdings Ltd and the Infodial Australia Pty Ltd business in July and September 2008 respectively which also contributed to an increase in sales revenue for the half-year ended 31 December 2008.

Consolidated net loss from continuing operations after income tax for the half-year was $46,389,584 (2007: $1,531,349), down on the previous corresponding half-year. This was largely due to the decline in performance of the group's operating entities throughout the period as well as the incursion of one-off expenditure, such as goodwill impairment, as mentioned above.

Significant Changes in State of Affairs

Based on the performance of the group to 31 December 2008 and the impairment charges incurred during the period, the Board has implemented a Restructure Plan to improve performance and streamline the operations of the business. As part of this Restructure Plan there are a number of Initiatives in place to assist the Company in reducing its debt levels with its financiers.

Signed this 27th day of February 2009 in accordance with a resolution of the board of directors made pursuant to s298(2) of the Corporations Act 2001.

....

William H A Scott – Director

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Commquest Limited

In relation to our audit of the financial report of Commquest Limited for the half year ended 31 December 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

Don Brumley
Partner
27 February 2009

Consolidated interim income statement

HALF-YEAR ENDED 31 December 2008

	Notes	6 months to 31 December 2008 $	6 months to 31 December 2007 $
Rendering of services		36,703,742	16,641,887
Other revenue		925,048	140,761
Revenue		**37,628,790**	**16,782,648**
Depreciation and amortisation		1,831,021	226,719
IT and telecommunications		3,775,211	1,510,643
Operating lease rental		243,635	509,915
Advertising		2,849,459	1,175,722
Consulting fees		1,070,820	76,805
Motor vehicle expenses		486,859	394,470
Occupancy		1,439,643	517,784
Employee benefits expenses		15,059,788	6,008,246
Contractor expenses		6,929,551	2,908,738
Finance costs		1,471,056	97,939
Travel and accommodation		688,023	373,952
Impairment of intangible assets	3	45,349,624	-
Impairment of investment in associate	4	401,000	-
Other expenses		3,732,431	697,276
Share of profit/(loss) of an associate		-	3,407
PROFIT/(LOSS) BEFORE INCOME TAX		**(47,699,331)**	**2,287,846**
INCOME TAX BENEFIT/(EXPENSE)		**1,309,747**	**(756,497)**
PROFIT/(LOSS) AFTER INCOME TAX		**(46,389,584)**	**1,531,349**

	Cents	Cents
Earnings/(Loss) per share for profit attributable to the ordinary equity holders of the company		
Basic earnings/(loss) per share	(48.00)	3.93
Diluted earnings/(loss) per share	(48.00)	3.92

The Income Statement is to be read in conjunction with the accompanying notes.

Consolidated interim balance sheet

AT 31 December 2008

	Notes	31 December 2008 $	30 June 2008 $
CURRENT ASSETS			
Cash and cash equivalents		2,428,415	6,542,406
Other receivables		6,915,586	8,503,732
Trade and other receivables		13,881,182	12,469,410
TOTAL CURRENT ASSETS		23,225,183	27,515,548
NON-CURRENT ASSETS			
Investments in associates	4	-	401,000
Deferred tax assets		1,733,460	2,076,498
Plant and equipment		2,279,216	2,763,532
Goodwill and other intangible assets	3	18,179,228	61,377,499
TOTAL NON-CURRENT ASSETS		22,191,904	66,618,529
TOTAL ASSETS		45,417,087	94,134,077
CURRENT LIABILITIES			
Trade and other payables		12,174,284	11,065,333
Interest-bearing liabilities		25,807,560	5,842,574
Deferred settlement obligations		682,940	5,548,298
Provisions		1,037,893	1,384,113
Income tax payable		1,400,885	2,415,757
TOTAL CURRENT LIABILITIES		41,103,562	26,256,075
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		278,519	21,992,101
Deferred tax liabilities		2,814,757	4,285,684
Provisions		518,946	283,756
TOTAL NON-CURRENT LIABILITIES		3,612,222	26,561,541
TOTAL LIABILITIES		44,715,784	52,817,616
NET ASSETS		**701,303**	**41,316,461**
EQUITY			
Contributed equity		44,989,880	39,309,359
Reserves		204,363	110,458
Retained earnings		(44,492,940)	1,896,644
TOTAL EQUITY		**701,303**	**41,316,461**

Consolidated interim cash flow statement

HALF-YEAR ENDED 31 December 2008	6 months to 31 December 2008 $	6 months to 31 December 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	42,658,604	15,716,390
Payments to suppliers and employees (inclusive of GST)	(40,557,947)	(16,303,521)
Income tax paid	(757,062)	-
Interest received	131,019	68,222
Interest paid	(1,471,056)	(186,676)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	3,558	(705,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(205,986)	(523,898)
Purchase of intangibles	(1,293,055)	-
Acquisition of investment	(133,333)	-
Acquisition of business	(1,920,000)	-
Acquisition of subsidiaries	(2,465,650)	(15,310,339)
Distribution received	-	(8,878,261)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(6,018,024)	(24,712,498)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,017,086	4,755,474
Repayment of borrowings	(2,494,963)	(2,025,116)
Proceeds from issue of shares	3,378,352	30,257,597
Share issue costs	-	(3,653,433)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,900,475	29,334,522
NET INCREASE/(DECREASE) IN CASH	(4,113,991)	3,916,439
Cash at beginning of period	6,542,406	137,155
CASH AT END OF PERIOD	2,428,415	4,053,594

The Cash Flow Statement is to be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

HALF-YEAR ENDED 31 December 2008

	Consolidated			
	Contributed Equity $	Reserves $	Retained Earnings $	Total $
As at 1 July 2008	**39,309,359**	**110,458**	**2,382,141**	**41,801,958**
Prior period business combination adjustment (*)	-	-	(485,497)	(485,497)
Restated opening balance	**39,309,359**	**110,458**	**1,896,644**	**41,316,461**
Profit/(loss) for the half-year	-	-	(46,389,584)	(46,389,584)
Proceeds from issue of shares	5,680,521	-	-	5,680,521
Deferred tax in relation to share issue costs	-	-	-	-
Foreign currency	-	19,457	-	19,457
Share-based payments	-	74,448	-	74,448
As at 31 December 2008	**44,989,880**	**204,363**	**(44,492,940)**	**701,303**
As at 1 July 2007	**400**	-	**785,316**	**785,716**
Profit/(loss) for the year	-	-	1,531,349	1,531,349
Proceeds from issue of shares – IPO	32,849,432	-	-	32,849,432
Proceeds from issue of shares – Post IPO	2,750,000	-	-	2,750,000
Share issue costs	(3,730,593)		-	(3,730,593)
Retained earnings distribution	-	-	(785,316)	(785,316)
Share-based payments	-	17,110	-	17,110
As at 31 December 2007	**31,869,239**	**17,110**	**1,531,349**	**41,801,958**

(*) Prior period adjustment to retained earnings is in relation to finalisation of application of the purchase method of accounting for business combinations transacted during the year ended 30 June 2008. The adjustment is the net of an amortisation charge of $659,681 applied against identifiable intangible assets acquired and the tax effect of $174,184 applied against the deferred tax balance.

Condensed notes to the consolidated interim financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half-year financial report

This general purpose condensed financial report of Commquest Limited (the "Company") for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting,* as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report of the year ended 30 June 2008 and considered together with any public announcements made by Commquest Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report, and this condensed financial report has been prepared on the historical cost basis

(b) Going Concern

The interim financial report has been prepared on the basis that the Consolidated Entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position the Directors have considered the following matters:

- The directors have reviewed the performance, financial position business plan and strategies, budgets and cashflows of the Group. The review was undertaken as the Group incurred, during the half year ended 31 December 2008, a loss before tax of $47,699,331(loss of $1,948,687 after impairment charges of $45,750,624); net cash inflows from operating activities of $3,558; and the a consolidated current asset deficiency of $17,878,379.
- At 31 December 2008 the Group breached its banking covenants and subsequently obtained a waiver for the period from 1 January 2009 to 31 March 2009.

Since 31 December 2008, the Company has undertaken the following initiatives:

- Negotiated with their major financier to approve and provide an extension to the working capital facility totalling $2m in February 2009 to assist in the cash flow requirements of the business in the near future and while the Company's Restructure Plan is implemented
- Further negotiated with its major financier for the Company's facility to be extended to 31 December 2009 pending a review of the same at 30 June 2009 based on the Group's performance at this date
- Implemented a Restructure Plan to improve performance and streamline the operations of the business while reducing debt levels with the Company's major financier through the sale of operating entities/assets and mitigate cash outflows by closing underperforming or cash flow negative business units.
- Significant monthly cost reductions
- Negotiated payment arrangements with a small number of creditors

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that, having regards to the matters set out above, the Consolidated Entity will have sufficient funds to meet its obligations as and when they fall due.

However, if the initiatives referred to above do not eventuate or do not yield the required outcomes for the Company, there is significant uncertainty whether the group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity and Company not continue as going concerns.

(c) Goodwill and intangibles

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.

Condensed notes to the consolidated interim financial statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill and intangibles (continued)

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 or when any indicators of impairment exist 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 group 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.

Condensed notes to the consolidated interim financial statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill and intangibles (continued)

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.

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.

Condensed notes to the consolidated interim financial statements

2. SEGMENT REPORTING

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.

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 Communications 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, Infodial, MobiData 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 half-years ended 31 December 2008 and 31 December 2007.

	Direct Marketing $	Advertising and communications $	Digital and mobile marketing $	Total $
Half-year ended 31 December 2008				
Revenue				
Sales to external customers	14,150,167	5,998,475	16,434,481	36,583,123
Other revenue	785,796	86,737	57,574	930,107
Inter-segment sales	108,366	-	2,218,537	2,326,903
Total segment revenue	15,044,329	6,085,212	18,710,592	39,840,133
Inter-segment elimination				(2,326,903)
Unallocated revenue				115,560
Total consolidated revenue				37,628,790
Result				
Segment results	1,458,109	(825,113)	1,849,450	2,482,446
Unallocated expenses				(2,960,097)
Profit / (loss) before tax impairment charges and finance costs				(477,651)
Finance costs				(1,471,056)
Impairment charges				(45,750,624)
Share of profit of associate				-
Profit / (loss) before income tax				(47,699,331)
Income tax benefit				1,309,747
Net profit / (loss) for the year				(46,389,584)

Condensed notes to the consolidated interim financial statements

2. SEGMENT REPORTING (CONTINUED)

	Direct Marketing $	Advertising and communications $	Digital and mobile marketing $	Total $
Half-year ended 31 December 2007				
Revenue				
Segment Revenue	12,831,399	1,869,277	1,944,288	16,644,964
Inter-segment elimination				(355,207)
Unallocated revenue				492,891
Total consolidated revenue				16,782,648
Result				
Segment results	1,698,586	462,990	633,923	2,795,499
Unallocated expenses				(511,060)
Profit / (loss) before tax and finance costs				2,284,439
Finance costs				-
Share of profit of associate				3,407
Profit / (loss) before income tax				2,287,846
Income tax expense				(756,497)
Net profit / (loss) for the year				1,531,349

3. INTANGIBLE ASSETS AND GOODWILL

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

	Consolidated				
	Software $	Brand Names $	Customer contracts and relationships $	Goodwill $	Total $
Half-Year ended 31 December 2008					
At 1 July 2008 net of accumulated depreciation and impairment	1,628,073	2,550,072	1,508,842	54,425,003	60,111,990
Prior period restatement (*)	490,932	3,690,115	2,146,572	(5,062,110)	1,265,509
Additions – internal development	1,234,275	-	-	-	1,234,275
Deferred consideration adjustment				(166,206)	(166,206)
Acquisition of subsidiaries	200,000	-	-	2,100,033	2,300,033
Impairment	-	(1,541,733)	(1,586,022)	(42,221,868)	(45,349,623)
Amortisation	(329,004)	(216,528)	(671,218)	-	(1,216,750)
At 31 December 2008 net of accumulated amortisation and impairment	3,224,276	4,481,926	1,398,174	9,074,852	18,179,228
At 31 December 2008					
Cost (gross carrying amount)	4,009,231	6,442,900	4,261,300	51,296,720	66,010,151
Accumulated amortisation and impairment	(784,955)	(1,960,974)	(2,863,126)	(42,221,868)	(47,830,923)
Net carrying amount	3,224,276	4,481,926	1,398,174	9,074,852	18,179,228

(*) Prior period adjustment is in relation to finalisation of application of the purchase method of accounting for business combinations transacted during the year ended 30 June 2008.

Condensed notes to the consolidated interim financial statements

3. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

	Consolidated				
	Software $	Brand Names $	Customer contracts and relationships $	Goodwill $	Total $
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

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).

The Directors acknowledge that the comparative is for a full 12 months and believe that it is more informative to report the movements in this period.

(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 recognized in the income statement in the line item depreciation and amortization. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognized 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 recognized in the income statement in the line item depreciation and amortization. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognized 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 3 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 recognized 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).

Condensed notes to the consolidated interim financial statements

3. INTANGIBLE ASSETS AND GOODWILL (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	Opening Goodwill $	Impairment Charge $	Closing Goodwill $	Discount rate %
SMART PR Corporation Pty Ltd	240,814	240,814	-	24.30
Impulse Business Solutions Pty Ltd	7,586,123	2,010,057	5,576,066	21.40
Boiler Room Group Pty Ltd	5,681,053	5,681,053	-	24.30
Boiler Room Direct Pty Ltd	4,070,303	3,689,920	380,383	22.80
Bland Consulting Pty Ltd	1,669,962	1,669,962	-	21.40
SMS Central Australia Pty Ltd and its controlled entity	3,419,307	2,667,995	751,312	21.40
Inspirus Pty Ltd	1,239,842	930,968	308,874	21.40
Think Creative Management Pty Ltd	1,608,252	1,608,252	-	24.30
Pyromedia Pty Ltd	163,812	163,812	-	24.30
Shac Pty Ltd	446,459	446,459	-	24.30
Channel Financial Communications Pty Ltd	3,628,585	3,628,585	-	24.30
Web Development Group Pty Ltd and its controlled entities	16,349,335	15,261,863	1,087,472	21.40
Austral Media Group Pty Ltd	3,065,000	3,065,000	-	22.80
MobiData Holdings Ltd (**)	-	78,033	-	24.30
Infodial Australia Pty Ltd(**)	-	931,255	970,745	21.40
Commquest Limited*	147,840	147,840	-	

* Commquest Limited being the accounting subsidiary of SMART Pty Ltd.
** Entities acquired during the half year ended 31 December 2008, refer to Note 4 for details of opening goodwill balances.

The initial accounting for the business combination of Infodial Australia Pty Ltd has 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 31 December 2008

The Group determines whether goodwill acquired through business combinations is impaired at least annually in June or earlier where an indicator of impairment arises. This requires an estimation of the recoverable amount of cash generating unit to which goodwill is allocated. The recoverable amount of the cash generating unit to which goodwill relates has been determined by calculating value in use, being the present value of future cashflows expected to be derived, excluding expansionary activities, finance costs and income tax.

Condensed notes to the consolidated interim financial statements

3. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(ii) Key assumptions used in value in use calculations for the business units for 31 December 2008 (continued)

Key assumptions of the valuation used include

- Management opinion on future cashflows on a entity/subsidiary basis covering a five year period and an terminal value
- Flat growth over the five year period
- Probability adjustments to individual cashflows reflecting various types of risks

The discount rate applied to cash flow projections were between 21.40% and 24.30% based on indicative rates of return on listed companies in a similar business and the specific risk based on industry segment.

For the half year ended 31 December 2008 the Company's Director have decided to further impair the recoverable amounts of the acquired goodwill and identifiable intangible assets giving consideration to the issues described in Note 1 (b) of the interim accounts.

Consequently the Directors have decreased the carrying value of the acquired goodwill of $51M to $9m and identifiable intangible assets from $10m to $6m. In making their determination Directors also consider external sources of information such as current economic climate and the Group's Restructure Plan. The decrease in asset recoverable amounts resulted in an impairment of the cash generating units in goodwill of $42m (2007: Nil) and other identifiable intangible assets of $3m (2007: Nil). The impairment us recognised as an expense and has no cash impact on the group.

4. INVESTMENT IN ASSOCIATES

During the half year ended 31 December 2008, the Company recognised impairment losses of $1,000 and $400,000 in relation to its investments in associates, being SMS Messenger Pty Ltd and Platinum TV Pty Ltd respectively.

5. BUSINESS COMBINATIONS

MobiData Holdings Ltd

On 1st July 2008, the company acquired 100% of the voting shares of MobiData Holding Limited and its controlled entity MobiData Group Pty Ltd, a mobile phone software developer. Total consideration of $200,000 was paid in cash and the deferred settlement of $100,000 was payable in cash at December 2008.

The fair value of the identifiable assets and liabilities of MobiData Holdings Ltd as at the date of acquisition were:

	Recognised on Acquisition $	Carrying Value $
Plant and equipment	32,995	232,995
Intangible assets	200,000	-
	232,995	232,995
Trade payables	-	-
Provisions	(11,032)	(11,032)
	(11,032)	(11,032)
Fair value of identifiable net assets	221,963	
Goodwill arising from acquisition	78,037	
	300,000	

Condensed notes to the consolidated interim financial statements

5. BUSINESS COMBINATIONS (CONTINUED)

Cost of combination:	-
Direct Costs relating to the acquisition	
Deferred cash consideration	100,000
Cash paid	200,000
Total cost of combination	300,000
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	-
Cash paid	(200,000)
Net consolidated cash outflow	200,000

From the date of acquisition, MobiData Holdings Ltd has contributed a loss of $14,719 to the net loss of the Group. As the combination had taken place at the beginning of the period, the loss from continuing operations and revenue from continuing operations for the Group would not have been impacted.

Infodial Australia Pty Ltd

On the 1 September 2008, the company acquired the business assets of Infodial Australia Pty Ltd which totalled $nil, for cash consideration of $1,800,000 and shares issued with a fair value of $102,000.

From the date of acquisition, Infodial Australia Pty Ltd has contributed $111,582 to the net profit of the Group. If the combination had taken place at the beginning of the period, the loss from continuing operations for the Group would have been $46,222,211 and revenue from continuing operations would have been $38,366,931.

Note that the initial accounting for the acquisition of Infodial Australia Pty Ltd has only been determined provisionally because the valuations necessary for applying the purchase method are still being finalised.

6. LOANS AND BORROWINGS

As at 31 December 2008 the Group had debt facilities to the value of $36.9m (30 June 2008: $48m). The facilities were drawn down to $23.8m (30 June 2008: $24.7m) as at 31 December 2008 and the unused debt facilities as at 31 December 2008 were $13.1m (30 June 2008: $23.3m).

In accordance with the requirements of AASB 101 *Presentation of Financial Statements* the $26,086,079 owing to the Group's financier has been classified as a current liability as the company did not have an unconditional right to defer settlement of the loans for 12 months as at the half year ended 31 December 2008.

The interest on the facility is calculated with reference to market benchmark interest rates. The facility is secured by a first ranking fixed and floating charge over the assets of the consolidated entities. Subsequent to the half year ended 31 December 2008, the consolidated entity renegotiated its facilities with its financier. Refer to Note 8: *Subsequent Events* for details.

7. CONTINGENT LIABILITIES

Additional consideration shares may be issued to Principal/s of the entities acquired in the current and previous reporting periods if the financial performance of those entities exceeds the forecast performance or, in some cases, the performance in the previous year (whichever is applicable).

8. SUBSEQUENT EVENTS

Subsequent to period end and in line with Commquest's share sale agreement with Shac Pty Ltd dated 1 October 2007, the company's equity interest in Shac Pty Ltd increased from 21% to 51% for nil consideration.

The Group's banker renegotiated their banking facilities which included reducing the facility limit to $35.9m, amending the facility repayment schedule by rescheduling $1.625m due in March 2009 to June 2009. As a result of weaker earnings for the the Group, the Company had breached one of its debt covenants under the old facility, however as part of the renegotiated facility, the financial covenants attached to the revised facility have been altered.

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 and notes of the company and of the Company are in accordance with the *Corporations Act* 2001, including:

(i) giving a true and fair view of the company's financial position as at 31 December 2008 and of the performance for the half-year ended on that date of the consolidated entity;

(ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the 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.

On behalf of the Board

Mr William H A Scott
Director

Melbourne, 27 February 2009

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Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half year financial report of Commquest Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the Half-Year financial report in accordance with 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commquest Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the interim financial report of Commquest Limited is not in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and

ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Going Concern

Without qualifying of our opinion, we draw attention to Note 1 (b) in the financial report which indicates that, during the half-year ended 31 December 2008, the consolidated entity incurred net losses of $46,389,584 and generated net cash outflows from operating activities of $3,558. As a result of these matters, along with other matters set forth in Note 1 (b), there is significant uncertainty whether the company and the consolidated entity will continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and/or the consolidated entity not continue as going concerns.

Ernst & Young

Ernst & Young

Don Brumley
Partner
Melbourne
27 February 2008