



QUESTE COMMUNICATIONS LIMITED

A.B.N 58 081 688 164

2004

ANNUAL REPORT

CONTENTS

Directors' Report	2
Statements of Financial Performance	16
Statements of Financial Position	17
Statements of Cash Flows	18
Notes to Financial Statements	19
Directors' Declaration	36
Independent Audit Report	37
Corporate Governance	39
Terms of Issue of Partly Paid Shares	45
Stock Exchange Information	46

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CORPORATE DIRECTORY

BOARD

Farooq Khan	(Executive Chairman)
Michael J van Rens	(Non-Executive Director)
Azhar Chaudhri	(Non-Executive Director)
Yaqoob Khan	(Non-Executive Director)

COMPANY SECRETARY

Victor Ho

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STOCK EXCHANGE

Australian Stock Exchange
Perth, Western Australia

ASX CODE

QUE

AUDITORS

BDO
Level 8
256 St Georges Terrace

BANKER

National Australia Bank
Level 1, 50 St Georges Terrace
Perth Western Australia 6000

DIRECTORS' REPORT

The Directors present their report on Queste Communications Limited ("**Company**" or "**Queste**") and its controlled entities (the "**Consolidated Entity**") for the financial year ended 30 June 2004 ("**Balance Date**").

Queste is a company limited by shares that is incorporated and domiciled in Western Australia and has been listed on the Australian Stock Exchange ("**ASX**") since November 1998.

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are ASX listed Central Exchange Ltd ABN 77 000 742 843 ("**Central Exchange**") (controlled throughout the financial year) and Queste Communications (USA), Inc. (controlled throughout the financial year until its de-registration on 27 April 2004).

ASX listed Central Exchange has been treated as a controlled entity pursuant to Accounting Standard AASB 1024 "Consolidated Accounts" by virtue of the Company being a 48.221% substantial shareholder of Central Exchange as at Balance Date (30 June 2003: 48.817%).

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the pursuit of opportunities to commercially exploit the Company's VoiceNet System Voice-over-Internet Protocol ("**VoIP**") technology and the management of its investments.

The principal activities of Central Exchange during the financial year were the management of its investments, including investments in listed resource securities and the pursuit of resource exploration interests.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 12 January 2004, Central Exchange received \$19,051,014 from Minara Resources Limited (formerly Anaconda Nickel Limited) ("**Anaconda**") pursuant to the terms of payment under a settlement deed between Anaconda and Central Exchange dated 17 September 1996. Such receipt is accounted for as revenue from ordinary activities during the current reporting period and is subject to taxation as provided for in the income tax expense disclosed at Balance Date, for the Consolidated Entity.

On 8 July 2004, Central Exchange was re-admitted to ASX as an investment entity (as defined under the ASX Listing Rules).

There was no other significant change in the state of affairs of the Company or the Consolidated Entity during the financial year other than that referred to in this Directors' Report or the financial statements or notes thereto.

OPERATING RESULTS

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Net profit (loss) before tax	18,683,138	(792,860)	2,302,212	(558,084)
Income Tax expense	(1,003,436)	24,855	-	24,855
Net profit (loss) after tax	17,679,702	(768,005)	2,302,212	(533,229)
Net profit (loss) after tax attributable to members of the company	8,325,910	(434,032)	2,302,212	(533,229)

DIRECTORS' REPORT

EARNINGS PER SHARE

	Consolidated Entity		Company	
	2004	2003	2004	2003
Basic earnings per share (cents)	28.31	(1.48)	7.83	(1.81)
Weighted average number of fully paid ordinary shares in the Company outstanding during the year used in the calculation of basic earnings per share	29,404,879	29,404,879	29,404,879	29,404,879
Diluted earnings per share (cents)	17.20	(0.90)	4.76	(1.10)
Weighted average number of fully paid ordinary shares in the Company outstanding during the half year used in the calculation of diluted earnings per share	48,404,879	48,404,879	48,404,879	48,404,879

The Company's 20,000,000 partly paid ordinary shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share.

The Company's partly paid shares, to the extent of the balance of the call (19 cents per share), have not been included in the determination of basic earnings per share. These securities are included in the determination of diluted earnings per share on the basis that each partly paid share will become fully paid.

NET TANGIBLE ASSET BACKING

The effects of the Company's 20,000,000 partly paid ordinary shares (which were issued at a price of 20 cents each and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per partly paid share) on the net tangible asset backing of the Company and Consolidated Entity have been considered below.

The Directors also note that:

- The Company's net tangible assets ("**NTA**") at Balance Date includes a valuation of the Company's 8,303,779 shares in Central Exchange (representing a 48.221% interest) at Central Exchange's 30 June 2004 NTA backing of \$1.05 per share.
- The Consolidated Entity's NTA at Balance Date includes the effects of the NTA position of all controlled entities of the Company, including Central Exchange.

The undiluted (which includes a representation of the extent (1/20th) to which the partly paid shares have been paid) and diluted (which includes the full effects of all partly paid shares) NTA backing per share as at the Balance Date are as follows:

(1) UNDILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	2004	2003	2004	2003
Net assets	\$21,558,128	\$4,112,062	\$12,194,903	\$3,878,298
Less intangible assets	-	-	-	-
Net tangible assets	\$21,558,128	\$4,112,062	\$12,194,903	\$3,878,298
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Portion of 20,000,000 partly paid ordinary shares (representing the extent to which such shares have been paid, being one cent per share with a balance of the call of 19 cents per share)	1,000,000	1,000,000	1,000,000	1,000,000
Adjusted undiluted total fully paid ordinary share capital	29,404,879	29,404,879	29,404,879	29,404,879
Undiluted NTA backing per share as at Balance Date (cents)	73.31	13.98	41.47	13.19

DIRECTORS' REPORT

(2) DILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	2004	2003	2004	2003
Undiluted net tangible assets	\$21,558,128	\$4,112,062	\$12,194,903	\$3,878,298
Plus: Proceeds on conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	\$3,800,000	\$3,800,000	\$3,800,000	\$3,800,000
Diluted net tangible assets	\$25,358,128	\$7,912,062	\$15,994,903	\$7,678,298
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
Fully diluted total fully paid ordinary share capital of the Company	48,404,879	48,404,879	48,404,879	48,404,879
Diluted NTA backing share as at Balance Date (cents)	52.39	16.35	33.04	15.86

DIVIDENDS

The Company has not declared or paid any dividends during the financial year.

On 9 July 2004, Central Exchange paid a 60% franked dividend of 5 cents per share, at a total cost of \$861,000.

The Company has disclosed a dividend income receivable of \$415,189 from Central Exchange at Balance Date.

A dividend amount of \$445,811 has been provided for in the Consolidated Entity's accounts as at Balance Date (being the gross amount of \$861,000 less the \$415,189 payable to the Company).

REVIEW OF OPERATIONS

1. Voicenet System VoIP Technology

The Company continues to seek opportunities for the commercial exploitation of its VoiceNet System VoIP telephony technology. The Company has not had any results from the commercial exploitation of its VoiceNet System VoIP technology during the financial year.

The Company notes that VoIP technology is gaining increasing market acceptance as an alternative to conventional switched telephony transmission systems.

As a consequence of the reversion of the Australian rights to its VoiceNet technology (by Central Exchange terminating its licence agreement), the Company is now able to access the Australian domestic market. The Company is currently investigating upgrading various feature sets of the VoiceNet System VoIP technology to assist in its commercial exploitation.

DIRECTORS' REPORT

2. "Aggregation" Strategy

The Board believes that a listed company requires a critical mass of capital sufficient to secure commercial opportunities and accordingly provide both an income stream and capital growth for its shareholders. The Board believes that a prudent capital base from which a listed company is able to secure such commercial objectives is at least \$15 million.

This capital base of \$15 million dollars has been determined as an appropriate base by the Board based upon a number of matters including but not limited to an analysis of the existing capital structure of the Company, its current cash reserves, the present state of the Australian capital markets, the likelihood of the Company attracting capital investment in the short to medium term at prices at least equal to or in excess of its current cash backing and the level of internal investment capital the Board believes the Company requires to generate economic returns sufficient to attract investor support and accordingly the ability to raise further capital.

The Board does not believe that the Company will be readily able to achieve such objective on its own. The Board however believes that such objective can be achieved through an "aggregation" process whereby the assets of the Company and a number of other suitable listed companies are combined effectively into a single entity that holds the collective net tangible assets previously held in each separate company.

This "aggregation" process may be realised (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules) through a number of avenues including participating companies subscribing in an existing "lead" company or to a new "master" company or via a scheme of arrangement or merger between participating companies. Alternatively, an existing participating company may be used as the "lead" vehicle in terms of the aggregation process.

In this regard, the Board is considering the Company as a participating company in relation to the aggregation of its funds into another "lead" or "master" company. The aggregation process in such scenario may involve:

- The Company (along with other participating companies) effecting a "transfer" of available net tangible assets ("NTA") to the "master" company in exchange for shares in the "master" company (priced at the "master" company's NTA backing per share);
- The participating companies would effect a capital return to its shareholders via an in-specie distribution of the "master" company's shares;
- Such participating companies' shareholders would then become shareholders of the "master" company but will retain their existing shareholdings in their respective companies (at reduced NTA backing per share);
- The "master" company's NTA would be expanded by the contributions of the NTA of the participating companies – this is with the aim of achieving a minimum capital base of \$15m (referred to earlier);
- Such contributions or transfer of NTA's by participating companies may comprise cash or liquid investments (valued in turn at NTA backing or market as is appropriate);
- In relation to contributions by way of liquid investments, the "transfer" of NTA or market value may involve a share acquisition agreement between the "master" company and a relevant participating company;
- Alternatively, and also in relation to contributions of cash, the "transfer" of NTA value from participating companies to the "master" company may be pursuant to a specific share placement or wider capital raising undertaken by the "master" company;
- Post aggregation, the balance sheet of the "master" company would comprise its existing pre-aggregation assets and the NTA contributed by the participating companies, being a combination of cash and liquid investments;
- In all of the above "transfer" scenarios, the "master" company would value the shares it would issue at the NTA backing of the company and likewise, each of the participating companies would value their contribution of liquid investments at NTA backing or market value as is appropriate – so as to ensure that there is no or minimal "value shift" as between the companies;

DIRECTORS' REPORT

- The Company's shareholders would thus have a shareholding in the "master" company in proportion to the Company's contribution (valued at NTA or appropriate market value of liquid assets) into the "master" company and retain their existing shareholding in the Company (which will have a reduced NTA backing post "aggregation").

The final proposed aggregation strategy will be subject to compliance with the Corporations Act and the ASX Listing Rules and a general meeting will be required to consider and approve such "aggregation" process and other matters arising from or incidental to such process. The Board hopes to finalise its aggregation strategy within the next 6 months.

Pending the announcement of an appropriate "aggregation" strategy, the Board has continued its Internet technologies commercial endeavours and has also sought to add value to the asset base and underlying share price of the Company through the pursuit of selective investment and other commercial opportunities.

Such selective investment and commercial opportunities will be pursued with the objective(s) of creating a secure income stream for the Company and/or the acquisition of assets that provide for capital growth with the view to securing a return beyond what would be provided from investing merely in bank bills or cash deposits, pending the finalising of the "aggregation" process referred to above. Investments will be acquired either on the basis that they are currently undervalued or present the opportunity for superior capital growth.

3. CENTRAL EXCHANGE LIMITED (CXL)

3.1. Current Status

The Company holds 8,303,779 shares in Central Exchange (being 48.22% of its issued ordinary share capital).

In light of such significant shareholding, Central Exchange has been recognised as a controlled entity and included as part of the Consolidated Entity since 1 July 2002.

At the request of the ASX, Central Exchange had been suspended from quotation on ASX since 30 July 2002. On 8 July 2004, Central Exchange was re-admitted to ASX as an investment entity (as defined under the ASX Listing Rules).

Queste shareholders are advised to refer to the 2004 Full Year Reports and monthly NTA disclosures lodged by Central Exchange for further information about the current status and affairs of such company.

Information concerning CXL may be also viewed from its website: www.centralexchange.com.au and CXL's market announcements may be viewed from the ASX website (www.asx.com.au) under ASX code "CXL".

Sections 3.2 to 3.7 below contain information extracted from Central Exchange's public statements.

3.2. Investment Objectives

The investment objectives of Central Exchange are to:

- Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board of Central Exchange;
- Deliver a regular income stream for Central Exchange shareholders in the form of franked dividends;
- Preserve and protect the capital of Central Exchange.

DIRECTORS' REPORT

3.3. Investment Strategy

Central Exchange will seek to implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- Strategic Investments; and
- Non-strategic Investments.

Central Exchange does not seek to allocate a fixed proportion of funds into each or any of the above investment categories, since it believes that complete flexibility to invest across these categories is key to maximising long-term value growth for its shareholders.

(a) Strategic Investments

Central Exchange will seek to undertake investments in which it can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value.

Investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations.

Strategic investments by their nature will rely heavily on Central Exchange's ability to identify, attract and exploit unique opportunities.

(b) Non-Strategic Investments

Central Exchange will seek to make non-strategic investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where Central Exchange sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments Central Exchange does not envisage that it will take an active role in the management of the investment.

For each strategic and non-strategic investment, Central Exchange will expect to receive a level of return that is commensurate with the level of risk associated with such investment. In each investment and for its investment portfolio in aggregate, Central Exchange will at least aim to achieve a return that is consistently in excess of an appropriate benchmark share index and or a return which could be earned from investments in cash, bills of exchange or negotiable instruments drawn or endorsed by a bank, non-bank financial institution or a government.

3.4. Portfolio Allocation

In executing its investment strategy, Central Exchange may, from time to time, hold a high proportion of net assets in cash, preferring to be patient and selective rather than filling its investment portfolio with mediocre or underperforming investments for the sake of becoming "fully-invested".

Central Exchange will not be limited to the principles of broad diversification; in other words, the company may invest a significant proportion of funds in any single investment that represents an exceptional opportunity.

Every investment made by Central Exchange will be continuously monitored and formally reviewed on a periodic basis. Central Exchange will be willing to move quickly to realise investments when a view is formed that an investment is overvalued or there has been a material adverse change in an investment's circumstances or prospects – Central Exchange recognises the importance of being nimble and responsive to material changes affecting its investments.

Central Exchange recognises that in some cases, investments take significant periods of time to provide acceptable returns. As such investments may be relatively illiquid, Central Exchange will seek to minimise potential loss in the investment's value where a rapid or unplanned exit from that investment is sought.

DIRECTORS' REPORT

Central Exchange may also decide to dispose of shares in an entity if in Central Exchange's view, maintaining the investment is not in the best long-term interests of Central Exchange or an alternative, superior investment opportunity arises.

3.5. Investment Sectors

Investments may be made by Central Exchange in Australia or an overseas market and into any underlying industry, business or sector, in accordance with Central Exchange's stated investment objectives and strategies.

In this regard, Central Exchange has a history of activity in the resource sector. Investments undertaken in this sector will continue to provide Central Exchange with a window into the highly prospective resources sector domestically and globally. Such opportunities can provide the possibility for exceptional growth and returns for relatively small levels of investment.

Resource investments may span large mining companies that produce base metals and precious metals, industrial minerals and bulk commodities to junior explorers with exposure to highly prospective projects or tenements. From time to time the Portfolio may have exposure to oil and gas opportunities.

Investments in the resources sector component of the portfolio may be undertaken:

- Directly – through pegging of tenements, entering into joint ventures, taking options over and acquiring tenements, projects and joint venture interests;
- Indirectly – through placements and initial public offerings in existing companies (private, listed, or those seeking admission to ASX); or
- Actively – Central Exchange recognises funding of exploration and resources development can be a problem for small and medium-sized resource companies (in Australia and overseas) and will seek to assist carefully selected companies in this sector to optimise their opportunities through the provision of funds and a range of financial and management expertise or services as required.

Central Exchange will also seek to engage geological consultants and other relevant advisers from time to time to assist in the assessment of investment opportunities in this sector.

3.6. Investment Classes

In pursuit of the investment objectives and strategies outlined above, Central Exchange will have absolute discretion in applying its equity and any debt funds to a universe or range of potential investments in assets, businesses, securities, hybrid securities, cash, bills of exchange, other negotiable investments, debentures and other investments and structures.

3.7. Management of Investments

Central Exchange's implementation of its investment strategies in accordance with its investment objectives and investment decisions in this regard will be carried out by its Board of Directors and its Investment Committee (in conjunction with external consultants and advisers where appropriate) and not an external investment manager.

Where necessary, Central Exchange's Investment Committee will engage additional specialist resource(s) to assist with the identification, evaluation and management of particular investment opportunities. This includes specialist consultants and advisers, analysts and brokers.

DIRECTORS' REPORT

3.8. Termination of Licence Agreement

Central Exchange was granted a 14 year non-exclusive Australian licence to the Company's VoiceNet System VoIP technology pursuant to the terms of a licence agreement dated 4 June 1999 ("Licence Agreement"). The Company had also assisted Central Exchange in establishing an Australian telecommunications network utilising the VoiceNet System VoIP technology.

As reported in the Company's and Central Exchange's 2003 Annual Reports, Central Exchange announced on 4 July 2003 that, in light of the disappointingly low revenues generated by its telecommunications network and the limited prospects for future growth, the Directors of Central Exchange could see no commercial benefit in continuing to operate the network and had decided to close down such operations. Central Exchange's telecommunications carrier's licence was also not renewed on 1 July 2003.

On 12 December 2003, pursuant to the terms of the licence agreement with Queste, Central Exchange gave notice of termination of the licence to operate the Queste VoiceNet System VoIP technology.

3.9. Anaconda Nickel Settlement Deed Payment

Pursuant to a settlement deed between Minara Resources Limited (formerly Anaconda Nickel Limited) ("**Anaconda**") and Central Exchange dated 17 September 1996 ("**Settlement Deed**"), Anaconda agreed to pay Central Exchange \$16,250,000 (to be indexed by the United States Consumer Price Index) on the earlier of certain Review Dates.

On 8 October 2002, Anaconda advised Central Exchange that it considered a Review Date was 28 September 2002 – which was triggered with the mining of 250,000 tonnes of ore from the Anaconda Murrin Murrin Nickel Project in September 1999.

On 18 December 2003, Anaconda served Central Exchange with a Review Date Notice confirming the triggering of payment to Central Exchange as at the previous monthly Review Date of 28 November 2003.

On 12 January 2004, Central Exchange received \$19,051,014 from Anaconda pursuant to the terms of payment under the Settlement Deed.

4. CORPORATE

4.1. Altera Capital Limited (AEA)

The Company currently holds 10,699,428 shares (17.25%) in ASX listed Altera Capital Limited (formerly Bigshop.com.au Limited) ("**AEA**") acquired at a cost of \$545,668.

AEA has been suspended from ASX since 13 June 2003 and has advised that its suspension will continue until the company fully re-complies with the ASX Listing Rules.

AEA's major asset is 36,273,262 shares (81.26%) in ASX listed Sofcom Limited ("**SOF**").

Sofcom's major assets are 7,074,735 shares (18.167%) in ASX listed Bentley International Limited ("**BEL**") and 3,400,000 shares (3.389%) in ASX listed Rivkin Financial Services Limited ("**RFS**").

Shareholders are advised to refer to the 2004 Annual Reports and ASX market announcements lodged by AEA, SOF, BEL and RFS for further information about the current status and affairs of such companies.

DIRECTORS' REPORT

4.2. Bentley International Limited (BEL)

During the financial year, the Company undertook an investment in a listed investment company – Bentley International Limited (formerly Bentley Equities Limited and before that, BT Global Asset management Limited) (ASX Code "BEL").

The Company currently has 194,589 shares in BEL (or 0.50% of its issued capital) acquired at a total cost of \$77,598

The Company has also entered into a memorandum of understanding with ASX listed companies, Sofcom Limited ("**SOF**") and Fast Scout Limited ("**FSL**") to record the terms of their common desire to exercise their rights as individual shareholders as one collective "bloc".

The collective holdings of SOF, QUE and FSL in BEL currently totals 7,669,323 shares (19.694%).

Since 1 July 2004, Central Exchange has also acquired and currently holds 786,646 shares (2.02%) in BEL acquired at a total cost of \$307,995.

Shareholders are advised to refer to the 2004 Annual Report and ASX market announcements lodged by BEL for further information about the current status and affairs of the company.

4.3. Technology Investment Fund (TIF)

During the financial year, the Company undertook an investment in a listed managed fund – Technology Investment fund ("**TIF**").

The Company currently has 6,700,627 units (8.5% of total units on issue) in TIF acquired at a total cost of \$3,065,538 and 1,382,942 options (1.8% of total options on issue) in TIF acquired at a total cost of \$14,160.

Since 1 July 2004, Central Exchange have also acquired and currently holds 960,000 units (1.2%) in TIF acquired at a total cost of \$438,693 and 1,717,674 options (2.2%) in TIF acquired at a total cost of \$11,040.

The TIF options have an exercise price of \$0.50 each and expire on 30 November 2004.

Shareholders are advised to refer to the 2004 Annual Report and ASX market announcements lodged by TIF for further information about the current status and affairs of the fund.

4.4. Partly Paid Shares

The Company currently has 20,000,000 partly paid shares on issue which are paid up to 1 cent, with 19 cents still payable (20 cents in total) (the "**Partly Paid**" shares). The Company's undiluted Net Tangible Assets per share ("**NTA**") is approximately 41 cents per share and its fully diluted NTA per share (taking into account the effect of the immediate conversion of the Partly Paid shares) is approximately 33 cents per share, as at 30 June 2004.

The Directors believe that the existence of such a large number of outstanding Partly Paid shares relative to the Company's total issued capital is creating a negative sentiment amongst shareholders and investors towards the Company's stock.

In particular, the effect of conversion of such Partly Paid shares dilutes the NTA per fully paid share of the Company and given the significant number of such Partly Paid shares on issue, any future increase in the NTA backing of the Company creates the opportunity for a value shift from the holders of fully paid shares to the holder of the Partly Paid shares.

Whilst the Company is able to progressively make calls for the payment of the unpaid portion of the Partly Paid shares, the terms of their issue are such that it could, theoretically, take over 30 years for the Partly Paid shares to become fully paid.

DIRECTORS' REPORT

The Directors have therefore decided (as announced on 4 June 2004), as a capital management exercise, to commence discussions with the holder of the Partly Paid shares (which is an entity associated with Azhar Chaudhri, a director of the Company) (the "Holder") with a view to reach a settlement whereby, in exchange for cash and/or ordinary fully paid shares in the Company, the Partly Paid shares are cancelled. If agreement between the Company and the Holder is reached, then a settlement proposal (the "Settlement Proposal") will be put to shareholders for approval at a general meeting. An Independent Expert Report ("IER") will be commissioned by the independent Directors to consider the terms of the Settlement Proposal to ensure it is fair and reasonable to the Company. The IER will be given to shareholders as part of the general meeting documentation.

At the date of this Directors' Report, the Holder is still considering its position in relation to this matter. The Company will advise the market and shareholders if and when a Settlement Proposal has been reached between the Holder and the independent Directors of the Company.

4.5. Adoption of New Constitution

At the Company's 2003 Annual General Meeting on 28 November 2003, shareholder approved a special resolution adopting a new constitution. Such new constitution is consistent with changes to the law introduced by the *Corporate Law Economic Reform Program Act 1999* (Cth), the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

SECURITIES IN THE COMPANY

At the date of this report, the Company has the following securities on issue:

- (i) 28,404,879 listed fully paid ordinary shares;
- (ii) 20,000,000 unlisted partly paid ordinary shares, each paid to one cent with 19 cents per partly paid ordinary share outstanding.

There were no securities issued or granted by the Company during or since the financial half year.

5,000,000 unlisted options (each to take up one fully paid ordinary share in the Company at an exercise price of 20 cents per option) lapsed on 21 July 2003.

The terms of issue of the Company's 20,000,000 partly paid shares were disclosed in the Prospectus for the initial public offering of shares in the Company dated 6 August 1998 and are attached to this Directors' Report.

FUTURE DEVELOPMENTS

On 8 July 2004, controlled entity, Central Exchange, was re-admitted to ASX as an investment entity (as defined under the ASX Listing Rules). A summary of Central Exchange's investment objectives and strategies and activities and the implementation of the same are reported under Review of Operation in this Directors' Report.

Further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this Directors' Report because the Directors believe it would be likely to increase in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is not subject to any particular or significant environmental regulation under either Commonwealth or State legislation. To the extent that any aspect of the activities of the Consolidated Entity are subject to any environmental regulation under either Commonwealth or State legislation, the Directors are not aware of any breach by the Consolidated Entity of such regulations during or since the financial year.

DIRECTORS' REPORT

DIRECTORS AND OFFICER

The names and particulars of all Directors and Officers in office during or since the financial year are:

1. Farooq Khan

Chairman and Managing Director
Age 42

Mr Khan is a founding Director of the Company. Mr Khan holds a Bachelor of Jurisprudence and Bachelor of Law degree from the University of Western Australia. Mr Khan has previously practised law for a number of years, principally in the field of corporate law. Mr Khan has extensive experience in the securities industry and the promotion and executive management of ASX listed companies. Mr Khan also has considerable experience in the strategic review of public listed companies, capital raisings and corporate takeovers and restructuring. Mr Khan is also currently Chairman and Managing Director of ASX listed Altera Capital Limited, Fast Scout Limited and Sofcom Limited and Chairman of ASX listed Bentley International Limited.

2. Michael van Rens

Non-Executive Director
Age 50

Mr van Rens is a founding Director of the Company. He is also a director of Canadian listed company Exall Resources Limited, which holds gold and natural gas interests in Ontario and Alberta, Adelaide based unlisted IT company Rocksoft Limited, which markets products in the data redundancy and integrity assessment sectors of the computer industry, and Project Biotech Limited, a Perth based unlisted company which has developed a range of chemical free cleaning products currently being marketed in Europe, South-East Asia and the USA. Mr van Rens brings an extensive marketing, sales and investment background to the Company, developed over the last 19 years in the financial services industry.

3. Yaqoob Khan

Non-Executive Director
Age 39

Mr Khan is a founding Director of the Company. Mr Khan holds a Bachelor of Commerce degree from the University of Western Australia and a Master of Industrial Administration degree from Carnegie Mellon University, Pittsburgh, Pennsylvania, USA. After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan is also founding Executive Director of ASX Fast Scout Limited and Non-Executive Director of ASX listed Central Exchange Limited. Mr Khan brings considerable international experience in key aspects of corporate finance, production and strategic marketing.

4. Azhar Chaudhri

Non-Executive Director
Age 42

Mr Chaudhri is a founding Director of the Company. Mr Chaudhri holds a Bachelor of Science degree in Maths and Physics and a Masters degree in Economics. He has also undertaken postgraduate computer studies in the United Kingdom. Mr Chaudhri has considerable expertise in computer systems, analysis and design and advanced programming experience, particularly with respect to business and information technology systems and data base computing. In particular Mr Chaudhri has formed and led software development teams creating integrated database and management information systems for utilities, local government land tax departments, hospitals, libraries and oil terminals. Mr Chaudhri is also an Executive Director of Fast Scout Limited.

DIRECTORS' REPORT

5. Victor Ho

Company Secretary
Age 34

Mr Ho commenced with the Company in February 2000 as Manager, Corporate and Legal Affairs and was appointed Company Secretary in June 2000. Mr Ho holds a Bachelor of Commerce and Bachelor of Law degrees from the University of Western Australia and is a Fellow of the Tax Institute of Australia. Prior to his involvement with the Company, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho is also currently in executive roles with public listed companies as Executive Director and Company Secretary of Central Exchange Limited, Fast Scout Limited, Altera Capital Limited and Sofcom Limited and as Company Secretary of Bentley International Limited. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration and compliance and shareholder relations.

Messrs Azhar Chaudhri and Yaqoob Khan are resident overseas.

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Meetings Attended	Maximum Possible Meetings
F Khan	15	15
M van Rens	14	15
Y Khan	14	14
A Chaudhri	14	15

There were no meetings of committees of the Board of the Company.

Audit Committee

As at the date of this Directors' Report, the Company did not have a separate designated Audit Committee. In the opinion of the Directors, the nature of the Company's activities does not warrant a separate committee to consider audit and accounting matters. These responsibilities are actively discharged by the Board of Directors as a whole.

DIRECTORS' RELEVANT INTEREST

The relevant interest of each Director in the issued securities of the Company at the date of this report is as follows:

Name of Director	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares
F Khan	6,108,061	-
M van Rens	259,799	-
A Chaudhri	3,693,500	20,000,000
Y Khan	157,920	-

There were no securities granted to Directors or Executive Officers of the Company, during or since the financial year, pursuant to any executive or employee share or option plan or otherwise.

DIRECTORS' REPORT

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Company's performance and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

Details of the nature and amount of each element of remuneration of each Director and each Executive Officer of the Company paid or payable by the Company during the financial year are as follows:

Remuneration of Directors of the Company

Name of Director	Office Held	Salary \$	Fees \$	Superannuation \$	Other Benefits \$	Total \$
F Khan	Chairman and Managing Director	125,000	-	11,293	-	136,250
M van Rens	Non-Executive Director	-	15,000	1,355	-	16,350
Y Khan	Non-Executive Director	-	15,000	-	-	15,000
A Chaudhri	Non-Executive Director	-	15,000	-	-	15,000

The above table does not include the remuneration paid or payable by controlled entity, Central Exchange, to Yaqoob Khan, in his capacity as a Director of Central Exchange.

Remuneration of Executive Officers of the Company

Name of Executive Officer	Position Held	Salary \$	Superannuation \$	Other Benefits \$	Total \$
W Johnson	General Manager	72,115	6,490	-	78,605
V Ho	Company Secretary	31,000	2,790	-	33,790

The above table does not include the remuneration paid or payable by controlled entity, Central Exchange, to William Johnson, in his capacity as a Director of Central Exchange and to Victor Ho, in his capacity as Company Secretary of Central Exchange.

There were no securities issued or granted to Directors or Executive Officers of the Company, during or since the financial year, pursuant to any executive or employee share or option plan or otherwise.

DIRECTORS' INDEMNITIES

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries), including the following matters:

- The Company's retention of and the Director's access to Board papers and company books (subject to confidentiality and privilege) both while the Director is a director of the Company and after the Director ceases to hold office, for the purposes expressly permitted by the deed.
- The Company's obligation to use its best efforts to ensure that so far as practical (having regard to the cost of coverage and its availability with the issue of practicality to be determined by the Board), that there is an appropriate directors' and officers' insurance cover (as permitted by the Corporations Act) for the period that each Director is a director of the Company and for 2 years after that Director ceases to hold office;

DIRECTORS' REPORT

- The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);
- Subject to the terms of the deed and the Corporations Act, the Company may, at the request of the Director and on such terms as it thinks fit, advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of a legal proceeding. The Company cannot make such an advance to a Director in respect of legal costs incurred in a legal proceeding initiated by the Company against the Director. Advances must be repaid by the Director once the outcome of the legal proceeding is known, but may be set-off by indemnities from the Company (where permitted by the deed and the Corporations Act); and
- the Company's and Director's rights and obligations in respect of confidential information, legal proceedings against the Director, disclosure of Director's benefits and notifiable interests, costs of independent advice and related party benefits.

The Company proposes to enter into deeds as described above with new Directors and officers appointed to the Company from time to time.

The Company has not had during the financial year and does not currently have a directors' and officers' liability insurance policy which covers all Directors and officers of the Company and its wholly-owned subsidiaries.

CORPORATE GOVERNANCE

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support the principles of corporate governance. The Company's Corporate Governance Statement is currently being updated and will be released in the 2004 Annual Report and posted on to the Company's website.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 30), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Farooq Khan
Chairman

Perth, Western Australia

30 August 2004



Michael van Rens
Director

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Rendering of services	2	659	9,557	-	-
Cost of sales	2	(13,013)	(54,288)	-	-
Gross Profit		(12,354)	(44,731)	-	-
Other revenue from ordinary activities	2	21,049,050	240,437	1,533,361	191,395
Non-operating revenue	2	-	435,173	-	435,130
Occupancy expenses	2	(54,200)	(78,791)	(27,771)	(44,882)
Finance expenses	2	(3,766)	(6,836)	(2,450)	(3,012)
Borrowing costs	2	(295)	(233)	(148)	(233)
Corporate expenses					
- write-down of intangibles	2	-	(69,000)	-	(69,000)
- write down of inventory	2	-	(18,273)	-	(18,273)
- other development costs	2	-	(27,734)	-	(8,547)
- other corporate costs	2	(202,919)	(78,827)	(62,203)	9,126
Administration expenses					
- personnel	2	(316,848)	(566,417)	(267,941)	(313,156)
- write down of investments	2	5,128,594	155,530	2,202,587	(203,390)
- cost of investment sold	2	(6,743,882)	(27,438)	(1,013,668)	(7,290)
- cost of equipment sold	2	-	(169)	-	(84)
- cost of property sold	2	-	(395,402)	-	(395,402)
- others	2	(160,242)	(310,149)	(59,555)	(130,466)
Profit/ (loss) from ordinary activities before income tax expense		18,683,138	(792,860)	2,302,212	(558,084)
Income tax (expense)/ benefit relating to ordinary activities	4	(1,003,436)	24,855	-	24,855
Profit/ (loss) from ordinary activities after income tax expense		17,679,702	(768,005)	2,302,212	(533,229)
Net (profit)/loss attributable to outside equity interests		(9,353,792)	333,973	-	-
Net profit/ (loss) attributable to members of the company	22	8,325,910	(434,032)	2,302,212	(533,229)
Total changes in equity other than those resulting from transactions with owners as owners		8,325,910	(434,032)	2,302,212	(533,229)
Earnings/(Loss) per share					
Basic earnings/(loss) (cents per share)	23	28.31	(1.48)	7.83	(1.81)
Diluted earnings/(loss) (cents per share)	23	17.20	(0.90)	4.76	(1.10)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	23	29,404,879	29,404,879	29,404,879	29,404,879

The statements of financial performance should be read in conjunction with the accompanying notes.

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	Note	Consolidated Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	25	18,201,976	3,453,811	94,737	3,039,655
Receivables	7	6,610	8,089	416,124	7,521
Inventory	8	-	-	-	-
Other	9	1,663	6,328	1,663	1,024
TOTAL CURRENT ASSETS		18,210,249	3,468,228	512,524	3,048,200
NON CURRENT ASSETS					
Receivables	10	27,872	27,872	13,766	13,766
Other financial assets	11	4,973,171	646,263	11,706,844	821,061
Property, plant and equipment	12	63,915	76,239	32,317	38,560
Intangibles	13	-	-	-	-
Other	14	24,031	-	-	-
TOTAL NON CURRENT ASSETS		5,088,989	750,374	11,752,927	873,387
TOTAL ASSETS		23,299,238	4,218,602	12,265,451	3,921,587
CURRENT LIABILITIES					
Payables	15	249,423	90,461	40,259	27,210
Provisions	16	445,811	-	-	-
Current tax liabilities	17	1,003,436	-	-	-
NON CURRENT LIABILITIES					
Provisions	18	42,440	16,079	30,289	16,079
TOTAL LIABILITIES		1,741,110	106,540	70,548	43,289
NET ASSETS		21,558,128	4,112,062	12,194,903	3,878,298
EQUITY					
Contributed equity	19	6,087,927	8,225,939	6,087,927	8,225,939
Reserves	20	2,138,012	-	8,152,405	-
Outside equity interest	21	9,362,960	242,804	-	-
Accumulated profit/ (losses)	22	3,969,229	(4,356,681)	(2,045,429)	(4,347,641)
TOTAL EQUITY		21,558,128	4,112,062	12,194,903	3,878,298

The statements of financial position should be read in conjunction with the accompanying notes.

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		659	92,650	-	202,413
Payments to suppliers and employees		(486,981)	(1,051,117)	(380,376)	(509,476)
Payments for exploration and evaluation		(24,031)	-	-	-
Deed settlement payment		19,051,014	-	-	-
Income tax paid		(3,844)	(4,906)	(3,844)	(4,906)
Income tax refunded		4,993	19,309	4,993	19,309
Dividend received		2,386	-	152	-
Interest received		606,111	176,895	128,349	145,217
Interest paid		(295)	(233)	(148)	(233)
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	25(a)	19,150,012	(767,402)	(250,874)	(147,676)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(1,757)	(4,539)	(878)	(1,257)
Payments for investment securities		(5,749,142)	(92,235)	(3,682,470)	(92,235)
Proceeds from sale of investment securities		1,349,419	23,502	989,671	6,490
Proceeds from sale of property, plant and equipment		-	435,173	-	435,130
Net cash inflow from acquisition of subsidiary		-	1,019,446	-	-
NET CASH (OUTFLOW)/ INFLOW FROM INVESTING ACTIVITIES		(4,401,480)	1,381,347	(2,693,677)	348,128
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments to former unmarketable parcels' shareholders		(367)	(22,845)	(367)	(22,845)
Net proceeds from sale of share buy back		-	17,360	-	17,360
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES		(367)	(5,485)	(367)	(5,485)
NET INCREASE/(DECREASE) IN CASH ASSETS HELD					
Add opening cash assets brought forward		14,748,165	608,460	(2,944,918)	194,967
		3,453,811	2,845,351	3,039,655	2,844,688
CLOSING CASH ASSETS AT END OF YEAR	25(b)	18,201,976	3,453,811	94,737	3,039,655

The statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES

Financial reporting framework

The Financial Report is a general purpose Financial Report, which has been prepared and is based on historical costs in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The Financial Report has been prepared on an accrual basis and on the basis of historical costs, and except where stated does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report:

1.1 Principles of Consolidation

The consolidated Financial Statements are prepared by combining the Financial Statements of all the entities that comprise the Consolidated Entity, being the Company (the Company) and its controlled entities. Control exists where the Company has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. A list of controlled entities is contained in Note 11 to the Financial Statements.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.2 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods and Disposal of Assets

Revenue is recognised when the Consolidated Entity has passed control of the goods or other assets to the buyer. Control of goods or assets is considered to be passed to buyer upon delivery of the assets to buyer or their agents.

(ii) Contributions of Assets

Revenue arising from the contribution of assets is recognised when the Consolidated Entity gains control of the contribution or the right to receive the contribution.

(iii) Interest revenue

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

(iv) Dividend Revenue

Dividend revenue is brought to account on the applicable ex-dividend entitlement date.

(v) Rendering of services

Where in a contract, the outcome of the contract and the stage of completion of the contract can be reliably measured, revenue is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

(vi) Other revenue

Other revenue is recognised on a receipts basis.

1.3 Income Tax

The Consolidated Entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the financial statement of performance is based on the operating profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1.3 Income Tax (contd.)

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 Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

1.4 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

1.5 Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave ("employee benefits") when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits expected to be settled within one year, have been measured at their nominal amount. Other employee benefits expected to be payable later than one year have been measured at the present value of the estimated cash flows to be made for those benefits. Superannuation contributions are made by the Consolidated Entity in accordance with statutory obligations and are charged as expenses when incurred.

1.6 Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

1.7 Investments

Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

The carrying amount of investments in controlled entities was previously carried at the lower of cost or net realisable value. The Directors have decided to carry such investments at valuation. The valuation amount is assessed from the security's current market value or if unlisted or suspended their underlying net tangible asset backing. Expected net cash flows have not been discounted to their present values in determining the recoverable amounts. Such investments were (pre 1 July 2003) recorded at cost with appropriate provision made to reflect market value at the balance date. The financial effect of this change resulted in increases in Investments in Controlled Entities and Asset Revaluation Reserves by \$6,014,393 each (refer Notes 11 and 20).

Other investments are recorded at cost with appropriate provision made to reflect market value or if unlisted or suspended, their underlying net tangible asset backing, at the Balance Date.

1.8 Property, Plant and Equipment

Property, plant & equipment are brought to account at cost, independently or Directors' valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed bi-annually by Directors to ensure it is not in excess of the recoverable amount from these assets. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of such improvements. The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their expected useful lives to the Consolidated Entity commencing from the time the asset is held ready for use.

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

Class of Fixed Asset		Depreciation Rate	Depreciation Method
Plant and Equipment	- Acquired before 1 July 1999	13-27%	Straight Line
	- Acquired after 30 June 1999	15-50%	Diminishing Value
Leasehold Improvements		15%	Diminishing Value

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1.9 Valuation of Non Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. 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 not been discounted to their present values in determining recoverable amounts.

1.10 Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

1.11 Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

1.12 Provision for dividends

In accordance with AASB 1044 "*Provisions, Contingent Liabilities and Contingent Assets*", a provision can only be made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year, but not distributed at balance date.

1.13 Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest, which are abandoned, are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

1.14 Financial Instruments Issued by the Company

(i) Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

1.15 Earnings Per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

1.16 Intellectual property

Intellectual property is amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial application of such intellectual property. The unamortised amount is reviewed annually to determine whether it is in excess of the recoverable amount. If the carrying value of intellectual property exceeds its recoverable amount, the asset is written down to the lower value. The VoiceNet System VoIP technology is being amortised over 5 years on this basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****1.17 Research and development costs**

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

1.18 Segment Reporting

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and AASB 1005 *"Segment Reporting"*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and other assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions.

1.19 The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 *"First-Time Adoption of Australian Equivalents to International Financial Reporting Standards"* prescribes transitional provision for first-time adopters.

AASB 1047 *"Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards"* requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

(i) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

(ii) Non-Current Investments

Under the pending AASB 139 *"Financial Instruments: Recognition and Measurement"* financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with a review bi-annually by the Directors and valued at current market value to ensure it is not in excess of the recoverable amount of these investments.

The Consolidated Entity's off-market derivative investments such as call and put options will be required to be disclosed at market value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****2. INCOME FROM ORDINARY ACTIVITIES**

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
The operating loss from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating revenue				
Sales revenue				
Rendering of services	659	9,557	-	-
Other revenue				
Settlement deed payment	19,051,014	-	-	-
Dividend received	2,386	-	415,341	-
Rental income	-	52,413	-	52,413
Interest received	606,111	164,170	128,349	132,492
Proceeds from sale of share investments	1,349,419	23,502	989,671	6,490
Net unrealised gains on revaluation of share investments	40,120	-	-	-
Mining royalties	-	352	-	-
	<u>21,049,709</u>	<u>249,994</u>	<u>1,533,361</u>	<u>191,395</u>
(b) Non-operating revenue				
Proceeds from sale of assets				
Equipment	-	173	-	130
Property	-	435,000	-	435,000
Total revenue	<u>21,049,709</u>	<u>685,167</u>	<u>1,533,361</u>	<u>626,525</u>
(c) Expenses				
Cost of sales and services	13,013	54,288	-	-
Operating expenses				
Occupancy expenses	54,200	78,791	27,771	44,882
Finance expenses	3,766	6,836	2,450	3,012
Borrowing costs - interest paid	295	233	148	233
Corporate expenses				
Write down of intangibles	-	69,000	-	69,000
Write down of inventory	-	18,273	-	18,273
Amortisation of intangibles	-	-	-	-
Other development costs	-	27,734	-	8,547
Other corporate expenses	202,919	78,827	62,203	(9,126)
Administration expenses				
Depreciation	14,080	30,287	7,121	21,879
Personnel expenses	264,864	566,417	226,763	313,156
Other provisions - Employee entitlements	51,984	17,247	41,178	17,247
Investment costs	-	44,651	-	-
Write off of assets	-	2,525	-	200
Write off receivables	92	4	-	-
Write of loan to subsidiary	1,713	-	1,713	-
Diminution/(write back) of investments	(5,128,594)	(155,530)	(2,202,587)	203,390
Doubtful debts provision/ (write back)	(1,486)	1,486	(1,486)	2,806
Share issue cost	-	78,563	-	-
Other administrative expenses	144,542	135,385	52,207	88,333
Cost of investment sold	6,743,882	27,438	1,013,668	7,290
Cost of equipment sold	-	169	-	84
Cost of property sold	-	395,402	-	395,402
Exploration expenses	1,301	-	-	-
	<u>2,366,571</u>	<u>1,478,026</u>	<u>(768,851)</u>	<u>1,184,608</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****3. SALE OF ASSETS**

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Sale of assets in the ordinary course of business have given rise to the following gains and losses:

(a) Net Gain/ (Losses):	Equipment	-	4	-	46
	Property	-	39,598	-	39,598
	Share investments	(5,394,463)	(3,936)	(23,997)	(800)

4. INCOME TAX EXPENSE/ (BENEFITS)

(a) The prima facie income tax on operating profit/(loss) is reconciled to the income tax provided in the accounts as follows:

Profit/ (Loss) from ordinary activities	18,683,138	(792,860)	2,302,212	(558,084)
Income tax expense/(benefits) calculated at 30% (2003:30%) of operating profits/(losses).	5,604,941	(237,858)	690,664	(167,425)

Permanent differences

Other non-deductible items	1,723	-	117	-
Other deductible items	(16,148)	-	(1,138)	-
Write down of intangibles	-	20,700	-	20,700

Timing differences

Other non-deductible items	14,508	-	-	-
Other deductible items	(10,007)	-	-	-
Dividend income receivable	-	-	(124,602)	-
Diminution/(write back) of investments	(1,538,578)	(46,659)	(660,776)	61,017
Investment costs	-	13,395	-	-
Software development tax depreciation	(2,617)	(16,192)	(2,617)	(16,192)
Non deductible expenditure	-	252	-	252
Capital loss on shares sold	-	1,181	-	240
Exploration expenses	(7,209)	-	-	-
Prior year revenue losses brought to account	(2,296,594)	-	-	-
Prior year capital losses brought to account	(941)	-	-	-
Prior year revenue losses of controlled entities brought to account on tax consolidation	(161,000)	-	-	-
Capital losses of controlled entities brought to account on tax consolidation	(241)	-	-	-
Capital loss on termination of licence	(690,000)	-	-	-
Capital loss on share investments	(829)	-	-	-
Tax effect of timing differences not brought to account	12,036	-	-	-

Tax losses not brought to account as future income tax benefits	-	265,181	98,352	101,408
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Income tax expense/ (benefit)	909,044	-	-	-
Under/(Over)provision of income tax	94,392	(24,855)	-	(24,855)
Net income tax expense/ (benefit)	1,003,436	(24,855)	-	(24,855)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

4. INCOME TAX EXPENSE (CONTD.)

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Aggregate income tax expense comprises:				
Current income tax provision	991,400	-	-	-
Deferred income tax provision	12,036	-	-	-
Under/(over) provision in previous years	-	(24,855)	-	(24,855)
	1,003,436	(24,855)	-	(24,855)

Company

The approximate total income tax benefits associated with prior year tax losses not brought to account are \$208,000 (2003: \$109,428).

This benefit of tax losses will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

Consolidated Entity

Income tax benefits, including the benefits associated with prior year tax losses of \$2,458,535 above (which is equivalent to prior year tax losses of \$8,195,117), have been brought to account at Balance Date on the basis that they are deductible for income year ended 30 June 2004 (based on advice received by the Directors of Central Exchange Limited) and that:

- (i) there is assessable income of a nature and of an amount sufficient to enable the benefit from deductions to be realised;
- (ii) conditions for deductibility imposed by taxation legislation, including prior year revenue and capital losses, are complied with;
- (iii) Central Exchange and its controlled entities have entered into tax consolidation on 29 June 2004; and
- (iv) no changes in taxation legislation adversely affect the realisation of the benefit from deductions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****5. DIRECTORS' AND EXECUTIVES' DISCLOSURES**

(a) Names and positions held of parent entity directors in office at any time during the financial year are:

Farooq Khan	(Chairman & Managing Director)	Yaqoob Khan	(Non-Executive Director)
Michael J van Rens	(Non-Executive Director)	Azhar Chaudhri	(Non-Executive Director)

(b) Specified Directors' Remuneration

Company	Primary	Primary	Primary	Total
2004	Salaries & Fees	Superannuation	Other Benefits	
Specified Directors	\$	\$	\$	\$
Farooq Khan	125,000	11,250	-	136,250
Michael van Rens	15,000	1,350	-	16,350
Yaqoob Khan	15,000	-	-	15,000
Azhar Chaudhri	15,000	-	-	15,000
	170,000	12,600	-	182,600
2003				
Specified Directors				
Farooq Khan	125,481	11,293	-	136,774
Michael van Rens	15,057	1,355	-	16,412
Yaqoob Khan	15,000	-	-	15,000
Azhar Chaudhri	15,000	-	-	15,000
	170,538	12,648	-	183,186
Consolidated Entity				
2004				
Specified Directors				
Farooq Khan	177,885	16,009	-	193,894
Michael van Rens	15,000	1,350	-	16,350
Yaqoob Khan	15,000	-	-	15,000
Azhar Chaudhri	15,000	-	-	15,000
	222,885	17,359	-	240,244
2003				
Specified Directors				
Farooq Khan	248,271	22,344	-	270,615
Michael van Rens	15,057	1,355	-	16,412
Yaqoob Khan	40,000	-	-	40,000
Azhar Chaudhri	15,000	-	-	15,000
	318,328	23,699	-	342,027

The Directors have not received any post-employment remuneration or any equity based remuneration.

(c) Names and positions held of parent entity executives in office at any time during the financial year are:

William M Johnson	(General Manager)
Victor P H Ho	(Company Secretary)

(d) Specified Executives' Remuneration

Company	Primary	Primary	Primary	Total
2004	Salaries & Fees	Superannuation	Other Benefits	
Specified Executives	\$	\$	\$	\$
William M Johnson	72,115	6,490	-	78,605
Victor P H Ho	31,000	2,790	-	33,790
	103,115	9,280	-	112,395
2003				
Specified Executives				
William M Johnson	61,430	5,528	-	66,958
Victor P H Ho	31,119	2,801	-	33,920
	92,549	8,329	-	100,878

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****5. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTD.)****(d) Specified Executives' Remuneration (contd.)**

Consolidated Entity	Primary	Primary	Primary	Total
2004	Salaries & Fees	Superannuation	Other Benefits	
Specified Executives	\$	\$	\$	\$
William M Johnson	125,000	11,249	-	136,249
Victor P H Ho	31,000	2,790	-	33,790
	156,000	14,039	-	170,039
2003				
Specified Executives				
William M Johnson	122,860	11,056	-	133,916
Victor P H Ho	64,504	5,806	-	70,310
	187,364	16,862	-	204,226

The Specified Executives have not received any post-employment remuneration or any equity based remuneration.

The above disclosures of remuneration of specified directors and executives at the Consolidated Entity level includes (where applicable) remuneration paid by Central Exchange to the named persons in their capacity as directors and executives of Central Exchange.

(e) Number of fully paid shares held by Parent Entity Directors and Specified Executives

2004	Balance at 1 July	Issued during	Net Change	Balance at 30
Specified Directors	2003	the Year		June 2004
Farooq Khan	11,633,587	-	207,444	11,841,031
Michael van Rens	361,351	-	-	361,351
Yaqoob Khan	11,633,587	-	207,444	11,841,031
Azhar Chaudhri	4,735,450	-	171,500	4,906,950
Specified Executives				
William M Johnson	80,000	-	-	80,000
Victor P H Ho	23,100	-	-	23,100

(f) Number of partly paid shares held by Parent Entity Directors and Specified Executives

2004	Balance at 1 July	Issued during	Net Change	Balance at 30
Specified Directors	2003	the Year		June 2004
Farooq Khan	20,000,000	-	-	20,000,000
Michael van Rens	-	-	-	-
Yaqoob Khan	20,000,000	-	-	20,000,000
Azhar Chaudhri	20,000,000	-	-	20,000,000
Specified Executives				
William M Johnson	-	-	-	-
Victor P H Ho	-	-	-	-

The above disclosures of equity holdings are in accordance with Accounting Standard AASB 1046 (Director and Executive Disclosure by Disclosing Entities) which includes disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same. There are instances of some overlap between the disclosed holdings in this regard.

(g) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments to directors and executive offices of the Company is as follows: The Board determines the remuneration structure having due regard to the Company's performance and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****6. AUDITORS' REMUNERATION**

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Amounts received or due and receivable by the Consolidated Entity's auditors for:				
Audit and review of financial report	24,145	19,538	9,530	12,270
Other services	3,725	7,005	475	7,005
	<u>27,870</u>	<u>26,543</u>	<u>10,005</u>	<u>19,275</u>
Other auditors:				
Audit and review of financial report	-	(720)	-	(720)
	<u>27,870</u>	<u>25,823</u>	<u>10,005</u>	<u>18,555</u>

7. CURRENT RECEIVABLES

Amounts receivable from				
Trade debtors	-	840	-	-
Director related entities	-	7,091	-	7,091
Others	6,610	158	416,124	430
	<u>6,610</u>	<u>8,089</u>	<u>416,124</u>	<u>7,521</u>

8. INVENTORY

Inventory	18,273	18,273	18,273	18,273
Less: Write down of inventory	(18,273)	(18,273)	(18,273)	(18,273)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9. OTHER CURRENT ASSETS

Prepayments	1,663	6,328	1,663	1,024
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10. NON - CURRENT RECEIVABLES

Bonds and guarantees	27,872	27,872	13,766	13,766
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11. OTHER NON-CURRENT FINANCIAL ASSETS

Shares and options in listed corporations - at cost	5,229,511	6,071,318	3,301,705	637,902
Shares in controlled entities - at cost	-	2,067,344	2,704,575	2,699,575
	<u>5,229,511</u>	<u>8,138,662</u>	<u>6,006,280</u>	<u>3,337,477</u>
Less: Revaluation/ (Provision) for diminution	(256,340)	(7,492,399)	(313,829)	(2,516,416)
	<u>4,973,171</u>	<u>646,263</u>	<u>5,692,451</u>	<u>821,061</u>
Add: Revaluation of shares in CXL (refer to Note 20)	-	-	6,014,393	-
	<u>4,973,171</u>	<u>646,263</u>	<u>11,706,844</u>	<u>821,061</u>
Market value of listed investments - refer (i)	13,678,878	952,807	11,698,944	886,957

(i) The market value of the Company's investment in controlled entity, Central Exchange Ltd ("CXL"), is based on the company's net tangible asset ("NTA") backing of \$1.05 per share as at 30 June 2004. CXL was suspended from ASX on 30 July 2002 but was relisted on 8 July 2004, valuing the shareholding at \$5,646,569 based on the closing price of \$0.68 per share. CXL's previous last traded price on ASX was \$0.015 on 29 July 2002 (pre CXL's 1:10 share consolidation on 8 August 2002 and pre 2:1 share conversion on 11 June 2004) or adjusted to \$0.075 per share (post such share reconstructions).

The Directors are of the opinion that the recoverable value of the Company's investment in CXL is at least equal to the carrying value of \$8,718,968 (at \$1.05 per share) for the reasons stated below:

- CXL's NTA is more reflective of an appropriate value for CXL given it was suspended as at 30 June 2004 and given the nature of its assets (cash and investments in listed securities);
- CXL's current NTA is significantly in excess of the last traded price on 29 July 2002;
- The Company's investment comprise 48.22% of CXL's issued shared capital and represents a significant strategic parcel of shares which should attract a control premium.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

11. OTHER NON-CURRENT FINANCIAL ASSETS (CONTD.)

(a) Investment in Controlled Entities

	Ownership Interest	
	2004	2003
Central Exchange Ltd (A.C.N. 000 742 843)	48.22%	48.82%
This company is engaged in management of investments and the pursuit of resource exploration interests (Refer to Note 11 (I)).		
Queste Communications (USA) Inc.	0%	100%
Incorporated in Delaware, USA on 15 February 2000		
This company was deregistered on 27 April 2004.		

Consolidation of the accounts of Queste Communications (USA) Inc. has not been performed because it has not engaged in any activities since incorporation and has no material assets and liabilities.

12. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED ENTITY	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$
Gross Carrying Amount			
Balance at 30 June 2003	260,903	43,575	304,478
Additions	1,756	-	1,756
Balance at 30 June 2004	262,659	43,575	306,234
Accumulated Depreciation			
Balance at 30 June 2003	(210,121)	(18,118)	(228,239)
Depreciation expense	(10,262)	(3,818)	(14,080)
Balance at 30 June 2004	(220,383)	(21,936)	(242,319)
Net Book Value			
As at 30 June 2003	50,782	25,457	76,239
As at 30 June 2004	42,276	21,639	63,915
COMPANY:			
Gross Carrying Amount			
Balance at 30 June 2003	78,642	21,787	100,429
Additions	878	-	878
Balance at 30 June 2004	79,520	21,787	101,307
Accumulated Depreciation			
Balance at 30 June 2003	(52,811)	(9,058)	(61,869)
Depreciation expense	(5,212)	(1,909)	(7,121)
Balance at 30 June 2004	(58,023)	(10,967)	(68,990)
Net Book Value			
As at 30 June 2003	25,831	12,729	38,560
As at 30 June 2004	21,497	10,820	32,317

Aggregate depreciation during the year is recognised as an expense and disclosed in Note 2 of the Financial Statements.

13. INTANGIBLES	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
VoiceNet System VoIP Technology - at cost	2,000,000	2,000,000	2,000,000	2,000,000
VoiceNet System VoIP Licence - at cost	-	2,300,000	-	-
Less: Accumulated amortisation	(1,100,000)	(3,400,000)	(1,100,000)	(1,100,000)
Less: Write-down of VoiceNet Technology	(900,000)	(900,000)	(900,000)	(900,000)
	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****14. OTHER NON-CURRENT ASSETS**

	Consolidated Entity		Company	
	2004	2003	2004	2003
Deferred Exploration Expenditure	\$	\$	\$	\$
Balance at beginning of the year	-	-	-	-
Direct expenditure (refer to Note 1.13)	24,031	-	-	-
Balance at the end of the period	24,031	-	-	-

15. CURRENT PAYABLES

Trade creditors	6,665	3,350	1,409	3,093
Payables on purchase of investments	152,933	-	-	-
Other creditors and accruals	89,825	87,111	38,850	24,117
	249,423	90,461	40,259	27,210

16. CURRENT PROVISIONS

Dividend payable	445,811	-	-	-
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17. CURRENT TAX LIABILITIES

Provision for income tax	991,400	-	-	-
Deferred tax liabilities	12,036	-	-	-
	1,003,436	-	-	-

18. NON-CURRENT PROVISIONS

Provision for employee entitlements	42,440	16,079	30,289	16,079
Number of employees (including Executive Directors and Officers) at balance date	5	5	4	5

19. CONTRIBUTED EQUITY

	Consolidated Entity		Company	
	2004	2003	2004	2003
Issued and Paid-Up Capital	\$	\$	\$	\$
28,404,879 (2003: 28,404,879) fully paid ordinary shares	5,887,927	5,887,927	5,887,927	5,887,927
20,000,000 (2003: 20,000,000) partly paid ordinary shares	200,000	200,000	200,000	200,000
Option premium	-	2,138,012	-	2,138,012
	6,087,927	8,225,939	6,087,927	8,225,939

(a) Movement in Issued Ordinary Share Capital**(i) Fully paid ordinary shares**

Balance at beginning of financial year	5,887,926	5,903,568	5,887,926	5,903,568
Share buy back	-	(15,642)	-	(15,642)
Balance at end of the year	5,887,926	5,887,926	5,887,926	5,887,926

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****19. CONTRIBUTED EQUITY (CONTD.)****(a) Movement in Issued Ordinary Share Capital (contd.)****(ii) Partly paid ordinary shares**

There were no movements during the year for partly paid ordinary shares.

The Company's 20,000,000 unlisted partly paid ordinary shares are each paid to one cent with 19 cents per share outstanding.

At any meeting, each shareholder present in person or by proxy, attorney or representative has one vote for each ordinary fully paid share held either upon a show of hands or by a poll. Holders of partly paid shares have a fraction of a vote for each partly paid share held with the fractional vote of each share being equivalent to the proportion which the amount actually paid (not credited) for that share is of the total amounts paid and payable (excluding amounts credited) for that share. Amounts paid in advance of a call are ignored when calculating proportions. The holder of a partly paid share is not entitled to vote at a meeting in respect of those shares on which calls are outstanding. No voting rights are attached to the Company's options on issue.

The profits of the Company, which the Directors may from time to time determine to distribute to shareholders by way of a dividend, will be divisible amongst the shareholders in proportion to the amounts paid on the shares held by them. An amount paid in advance of a call is not to be included as an amount paid on a share for the purposes of calculating entitlement to dividends for such share.

20. RESERVES	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Option Premium Reserve	2,138,012	-	2,138,012	-
Asset Revaluation Reserve (refer to Note 11)	-	-	6,014,393	-
	<u>2,138,012</u>	<u>-</u>	<u>8,152,405</u>	<u>-</u>

The Option Premium Reserve relates to the issue of 5,000,000 options with the exercise price of \$0.20 per share that have since lapsed.

The Asset Revaluation Reserve relates to a revaluation of the Company's investments in Central Exchange Ltd ("CXL") from a cost of \$2,704,575 to a carrying value of \$8,718,967.

Such revaluation is pursuant to a change of accounting policy for the disclosure of Investments in controlled entities as described in Note 1.7.

Please refer to Note 11 for further details about the Directors determination of the carrying value of such investment at Balance Date.

21. OUTSIDE EQUITY INTERESTS

	Consolidated Entity	
	2004	2003
	\$	\$
Outside equity interests in controlled entity comprises:		
Contributed equity	15,002,284	14,729,915
Accumulated losses	(6,739,131)	(15,574,174)
Reserves	1,099,807	1,087,063
	<u>9,362,960</u>	<u>242,804</u>

22. ACCUMULATED PROFIT/ (LOSSES)

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance at beginning of the year	(4,356,681)	(3,922,649)	(4,347,641)	(3,814,412)
Net profit/(loss)	8,325,910	(434,032)	2,302,212	(533,229)
Balance at end of financial year	<u>3,969,229</u>	<u>(4,356,681)</u>	<u>(2,045,429)</u>	<u>(4,347,641)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****23. EARNINGS/(LOSS) PER SHARE**

	Consolidated Entity		Company	
	2004	2003	2004	2003
Basic earnings/(loss) per share (cents)	28.31	(1.48)	7.83	(1.81)
Diluted earnings/(loss) per share (cents)	17.20	(0.90)	4.76	(1.10)

(a) Basic earnings/(loss) per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share are as follows:

Net Profit/(Loss) (\$)	8,325,910	(434,032)	2,302,212	(533,229)
Weighted average number of ordinary shares	29,404,879	29,404,879	29,404,879	29,404,879

(i) The Company's partly paid shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share.

The Company's options and partly paid shares, to the extent of the balance of the call (19 cents per share), have not been included in the determination of basic earnings per share. These securities are included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share and each partly paid share will become fully paid.

(b) Diluted earnings/(loss) per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	Consolidated Entity		Company	
	2004	2003	2004	2003
Net Profit/(Loss) (\$)	8,325,910	(434,032)	2,302,212	(533,229)
Weighted average number of ordinary shares (i)	48,404,879	48,404,879	48,404,879	48,404,879

(i) The weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2003 No.	2002 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	29,404,879	29,404,879
Portion of partly-paid ordinary shares that remain unpaid	19,000,000	19,000,000
Weighted average number of ordinary shares used in the calculation of diluted EPS	48,404,879	48,404,879

24. SEGMENT REPORTING

The Company operates predominantly within Australia and in the telecommunications technology industry. The subsidiary, Central Exchange Ltd operates predominantly in Australia, in the resources and share investments sectors.

Segment Revenues & Results	External Revenue		Operating results	
	2004	2003	2004	2003
	\$	\$	\$	\$
VoIP Technology	659	9,557	(12,446)	(162,263)
Investments	20,442,939	23,853	18,827,651	28,731
	20,443,598	33,410	18,815,205	(133,532)
Unallocated	606,111	651,757	(132,067)	(659,328)
	21,049,709	685,167		
Profit/(loss) from ordinary activities before income tax			18,683,138	(792,860)
Income tax expense relating to ordinary activities			(1,003,436)	24,855
Profit/(loss) from ordinary activities after income tax			17,679,702	(768,005)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****24. SEGMENT REPORTING (CONTD.)**

Segment Assets & Liabilities	Assets		Liabilities	
	2004	2003	2004	2003
	\$	\$	\$	\$
Investments	4,997,202	646,263	(152,933)	-
Unallocated	18,302,036	3,572,339	(1,588,177)	(106,540)
	<u>23,299,238</u>	<u>4,218,602</u>	<u>(1,741,110)</u>	<u>(106,540)</u>

Other Segment Information	VoIP Technology		Investments	
	2004	2003	2004	2003
	\$	\$	\$	\$
Acquisition of segment assets	-	-	5,893,794	392,235
Other non-cash expenses				
Write off of segment assets	-	2,525	-	-
Write down of segment assets	-	69,000	-	-
Diminution of segment assets	-	-	(5,128,594)	(155,530)

25. STATEMENTS TO CASH FLOWS**(a) Reconciliation of Income/(Loss) from Ordinary Activities after Tax to Net Cash Flows from Operations**

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating income/ (loss) after tax	17,679,702	(768,005)	2,302,212	(533,229)
Depreciation	14,080	30,287	7,121	21,879
Net unrealised gains on revaluation of share investments	(40,120)	-	-	-
Doubtful debts provision/ (write back)	(1,486)	1,486	(1,486)	2,806
Write down of VoiceNet Technology	-	69,000	-	69,000
Write down of inventory	-	18,273	-	18,273
Diminution (write back of diminution) of investments	(5,128,594)	(155,530)	(2,202,587)	203,390
Amounts written off assets	-	2,525	-	200
Write of loan to subsidiary	1,713	-	1,713	-
Gain on sale of assets	-	(39,602)	-	(39,644)
Loss on sale of investment	5,394,463	3,936	23,997	800
Increase/ (decrease) in income tax payable	1,003,436	(24,855)	-	(10,452)
Disposal of investment in subsidiary	-	-	-	100
Decrease/(increase) in assets:				
Current receivables	1,252	121,295	(408,831)	157,922
Other assets	192,808	40,677	(639)	25,421
Increase/(decrease) in liabilities:				
Current trade payables	6,396	(69,865)	13,416	(71,754)
Provision	26,362	2,976	14,210	7,612
Net cash flows from operating activities	<u>19,150,012</u>	<u>(767,402)</u>	<u>(250,874)</u>	<u>(147,676)</u>

(b) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank	1,740,508	985,357	72,414	571,201
Term deposit	22,323	28,299	22,323	28,299
Bank bills	16,439,145	2,440,155	-	2,440,155
	<u>18,201,976</u>	<u>3,453,811</u>	<u>94,737</u>	<u>3,039,655</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004****26. FINANCIAL INSTRUMENTS****(a) Interest Rate Risk Exposure**

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	\$	\$	\$	\$	\$
2004					
Financial assets					
Cash	5.78%	1,740,508	16,461,468	-	18,201,976
Receivables		-	-	6,610	6,610
Shares in listed companies		-	-	4,973,171	4,973,171
		<u>1,740,508</u>	<u>16,461,468</u>	<u>4,979,781</u>	<u>23,181,757</u>
Financial liabilities					
Payables		-	-	(249,423)	(249,423)
Employee entitlements		-	-	(42,440)	(42,440)
		<u>-</u>	<u>-</u>	<u>(291,863)</u>	<u>(291,863)</u>
Net financial assets		<u>1,740,508</u>	<u>16,461,468</u>	<u>4,687,918</u>	<u>22,889,894</u>

2003

Financial assets					
Cash	4.50%	985,357	2,468,454	-	3,453,811
Receivables		-	-	8,089	8,089
Shares in listed companies		-	-	646,263	646,263
		<u>985,357</u>	<u>2,468,454</u>	<u>654,352</u>	<u>4,108,163</u>
Financial liabilities					
Payables		-	-	(90,461)	(90,461)
Employee entitlements		-	-	(16,079)	(16,079)
		<u>-</u>	<u>-</u>	<u>(106,540)</u>	<u>(106,540)</u>
Net financial assets		<u>985,357</u>	<u>2,468,454</u>	<u>547,812</u>	<u>4,001,623</u>

Reconciliation of net financial assets to net assets

	Consolidated Entity	
	2004	2003
	\$	\$
Net financial assets as above	22,889,894	4,001,623
Non-financial assets and liabilities		
Non-current receivables	27,872	27,872
Property, plant and equipment	63,915	76,239
Other assets	25,694	6,328
Provisions	(445,811)	-
Current tax liabilities	(1,003,436)	-
	<u>21,558,128</u>	<u>4,112,062</u>

(b) Credit Risk Exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the Financial Statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

26. FINANCIAL INSTRUMENTS (CONTD.)

(c) Net Fair Value of Financial Assets and Liabilities

Except as detailed below, the carrying amount of financial assets and financial liabilities recorded in the Financial Statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The net fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

	Carrying Amount		Net Fair Value	
	2004	2003	2004	2003
Financial Assets	\$	\$	\$	\$
Traded on Organised Markets				
Shares in listed companies	4,973,171	646,263	13,678,878	952,807

27. RELATED PARTY DISCLOSURES

Names of parent entity directors in office at any time during the financial year are:

- Farooq Khan (Chairman & Managing Director)
- Michael J van Rens (Non-Executive Director)
- Yaqoob Khan (Non-Executive Director)
- Azhar Chaudhri (Non-Executive Director)

During the financial year, there were transactions between the Company, Central Exchange Limited, Fast Scout Limited, Sofcom Limited and Altera Capital Limited (being companies in which some of the Company's directors are also directors), pursuant to shared office and administration expense arrangements on a cost recovery basis.

At balance date, there were no outstanding amounts between the above companies with the Company.

28. CONTINGENT LIABILITIES AND ASSETS

The Consolidated Entity does not have any contingent assets or liabilities as at 30 June 2004.

29. LEASE COMMITMENTS

	Consolidated Entity		Company	
	2004	2003	2004	2003
Non-cancellable operating lease commitments:	\$	\$	\$	\$
Not longer than one year	129,972	108,800	-	108,800

The lease is in relation to the office premises of the Central Exchange Ltd and includes all outgoings. Such expenditure is shared equally with other companies, including Queste Communications Ltd pursuant to shared office and administration expense arrangements.

30. SUBSEQUENT EVENTS

- (a) On 9 July 2004, Central Exchange paid a 60% franked dividend of 5 cents per share, at a total cost of \$861,000. The Company received \$415,189 of such dividend. Such amounts has been provided for in the financial statements as at Balance Date.
- (b) On 8 July 2004, Central Exchange was re-admitted to ASX as an investment entity (as defined under the ASX Listing Rules).
- (c) Since the Balance Date, Central Exchange has undertaken investments in listed securities principally in the resources sector at a net cost of \$2.75 million.

DIRECTORS' DECLARATION

The Directors declare that:

- (1) The attached financial statements and notes thereto comply with Accounting Standards;
- (2) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and Consolidated Entity;
- (3) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (4) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.



Farooq Khan
Chairman



Michael van Rens
Director

Perth, Western Australia

30 August 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUESTE COMMUNICATIONS LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Queste Communications Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Queste Communications Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO
Chartered Accountants

A handwritten signature in black ink, appearing to read 'B. McVeigh', written in a cursive style.

BG McVeigh
Partner

Perth, Western Australia
Dated this 31st day of August 2004

CORPORATE GOVERNANCE

Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ("**Council**"). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board.

As consistency with the guidelines has been a gradual and on-going process, where the Company did not have certain policies or committees recommended by the Council in place during the year, the Board has identified such policies or committees. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of all of the Council's recommendations can be found on the ASX website at http://www.asx.com.au/about/CorporateGovernance_AA2.shtm.

Role of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Matters typically dealt with by committees such as audit, nominations and remuneration are dealt with by the full Board as, in view of the current composition of the Board (which comprise 4 members, being an Executive Chairman and Managing Director and 3 Non-Executive Directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. formulation and approval of the strategic direction, objectives and goals of the Company;
2. the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
3. the resourcing, review and monitoring of Executive Management;
4. ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
5. the identification of significant business risks and ensuring that such risks are adequately managed;
6. the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
7. the establishment and maintenance of appropriate ethical standards;
8. responsibilities typically assumed by an audit committee including:
 - 8.1. reviewing and approving the audited annual and audit reviewed half yearly financial reports;
 - 8.2. reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;
9. responsibilities typically assumed by a remuneration committee including:
 - 9.1. reviewing the remuneration and performance of both Executive and Non-Executive Directors;
 - 9.2. setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executive's performance, including, setting goals and reviewing progress in achieving those goals;
 - 9.3. reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes.
10. responsibilities typically assumed by a nomination committee including:
 - 10.1. devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors;
 - 10.2. Oversight of Board and Executive succession plans.

CORPORATE GOVERNANCE

Composition of the Board

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and the scale and nature of the Company's activities. The names of the Directors and their qualifications and experience are stated in the Directors' Report.

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board should contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and Director-level business or corporate experience, having regard to the scale and nature of activities of the Company.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Board presently has three Non-Executive Directors.

An Independent Director, in the view of the Company, is a Non-Executive Director who:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. within the last 3 years has not been employed in an Executive capacity by the Company, or been a Director after ceasing to hold any such employment;
3. within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with a service provider;
4. is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the Company other than as a Director of the Company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Farooq Khan (Executive Chairman and Managing Director) and Mr Azhar Chaudhri are not regarded as independent Directors as both do not meet the above criteria for independence adopted by the Company, being (directly and indirectly) substantial shareholders of the Company. Mr Yaqoob Khan is a relative of both Messrs Farooq Khan and Azhar Chaudhri. Mr Michael van Rens is considered to be an independent Non-Executive Director of the Company.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of Directors required for the Board to properly perform its responsibilities and functions.

The Board will also consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

Executive Management

The Managing Director is responsible and accountable to the Board for the Company's management.

The Company's Executive Chairman and Managing Director roles are fulfilled by one person – Mr Farooq Khan. The Company presently has one other Executive Officer being the Company Secretary.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an independent Non-Executive Chairman.

The Board is of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties and the Board is satisfied that Mr Farooq Khan as both Chairman and as Managing Director play an important role in the continued success and performance of the Company and is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman and does not consider that his dual role

CORPORATE GOVERNANCE

in any way diminishes the efficient organisation and conduct of the Board's overall function.

Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his election, whichever is longer, without submitting himself for re-election. One third of the Directors (save for a Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

The Board may appoint one or more Directors to the office of Managing Director for the period, and on the terms (including as to remuneration), the Board sees fit.

Under the Company's Constitution:

- A Director of the Company may be or become a director, officer, employee or member of any company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and is not accountable for any reasonable benefits received as a director, officer, employee or member of the other company.
- A Managing Director of the Company may, with the prior approval of the other Directors (such approval not to be unreasonably withheld), act as a managing director of another company.

It is also recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

Meetings of the Board

The Chairman and Company Secretary schedules monthly formal Board meetings (subject to the availability of Directors and appropriate matters for formal Board consideration). In addition, the Board meets whenever necessary to deal with specific matters requiring attention between scheduled monthly meetings. Circulatory Resolutions are also utilised where appropriate either in place or in addition formal Board meetings. Board meetings are held predominantly by telephone conferencing as not all Directors are resident in the one city. However, the Board will convene face to face meetings from time to time as is appropriate based on the particular items of business for consideration.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive Management. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Independent Professional Advice

Subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Conflicts of Interest

Directors must:

1. disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
2. if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

CORPORATE GOVERNANCE

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

Directors' Indemnities and Insurance

The Company's Constitution provides that to the extent permitted by the Corporations Act:

- (i) the Company may indemnify:
- (A) every person who is or has been an officer of the Company; and
 - (B) where the Board considers it appropriate to do so, any person who is or has been an officer of a related body corporate of the Company;

against any liability incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be).

- (ii) The Company may pay a premium in respect of a contract insuring a person who is or has been an officer of the Company or a related body corporate of the Company against any liability incurred by the person as an officer of the Company or a related body corporate except a liability (other than one for legal costs) arising out of conduct involving a wilful breach of duty in relation to the Company or a contravention of section 182 or 183 of the Corporations Act.

Directors' Deeds

The Company has entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries), including the following matters:

- The Company's retention of and the Director's access to Board papers and company books (subject to confidentiality and privilege) both while the Director is a director of the Company and after the Director ceases to hold office, for the purposes expressly permitted by the deed.
 - The Company's obligation to use its best efforts to ensure that so far as practical (having regard to the cost of coverage and its availability with the issue of practicality to be determined by the Board), that there is an appropriate directors' and officers' insurance cover (as permitted by the Corporations Act) for the period that each Director is a director of the Company and for 2 years after that Director ceases to hold office;
 - The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);
 - Subject to the terms of the deed and the Corporations Act, the Company may, at the request of the Director and on such terms as it thinks fit, advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of a legal proceeding.
- The Company cannot make such an advance to a Director in respect of legal costs incurred in a legal proceeding initiated by the Company against the Director.
- Advances must be repaid by the Director once the outcome of the legal proceeding is known, but may be set-off by indemnities from the Company (where permitted by the deed and the Corporations Act); and
- the Company's and Director's rights and obligations in respect of confidential information, legal proceedings against the Director, disclosure of Director's benefits and notifiable interests, costs of independent advice and related party benefits.

The Company proposes to enter into deeds as described above with new Directors and officers appointed to the Company from time to time.

The Company does not currently have a directors' and officers' liability insurance policy which covers all Directors and officers of the Company and its wholly-owned subsidiaries.

CORPORATE GOVERNANCE

Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities, is set by the Board. The Board restricts Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Committees

In view of the current composition of the Board (which comprise one Executive and 3 Non-Executive Directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is, matters typically dealt with by an audit, nominations and remuneration committee are dealt with by the full Board. Please refer to Role of the Board above for further information.

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Attestations by CEO and CFO

It is the Board's policy that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing off on the financial reports of the Company. However, as at the date of this Annual Report the Company does not have a designated CEO or CFO. The Board however notes that the Company Secretary and Company Accountant provides appropriate similar attestations prior to the Board signing off on the financial reports of the Company.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified and experienced Executives and employees.

Remuneration Policy

The Board determines the remuneration structure of all Directors and Executives having regard to the Company's performance and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications and competitive market and industry levels of remuneration for Directors and Executives targeted by the Board.

The Constitution of the Company provides that the non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the Directors agree. The current aggregate amount so resolved is \$55,000 per annum. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company. The current three Non-Executive Directors of the Company are paid an aggregate remuneration of \$46,350 per annum.

The Company is committed to remunerating its senior Executives (including Executive Directors) in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, the remuneration of a senior Executive may comprise the following components:

1. fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
2. a performance bonus (including participation in profits of the Company or of any other company in which the Company is interested or in a percentage of any increase in the market capitalisation of the Company) designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
3. participation in any share/option scheme with thresholds approved by shareholders;
4. statutory employer superannuation; or
5. by any or all of the above modes but may not be by way of commission on or percentage of operating revenue of the Company.

CORPORATE GOVERNANCE

Remunerating senior Executives through performance and long-term incentive plans in addition to their fixed remuneration aligns the interests of senior Executives with those of shareholders in relation to the Company's performance.

The Company only has one Executive Director, being the Executive Chairman and Managing Director and one other Executive, being the Company Secretary – both are currently remunerated by way of fixed salary plus statutory employer superannuation.

In addition to the remuneration outlined above:

- The Company may also pay the Directors' travelling and other expenses that they properly incur in attending directors' meetings or any meetings of committees of directors, in attending any general meetings of the Company, and in connection with the Company's business;
- If a Director, at the request of the Board and for the purposes of the Company, performs extra services or undertakes any executive or other work for the Company beyond his or her general duties, the Company may pay that Director a fixed sum or salary set by the Board. Such remuneration may be either in addition to or in substitution for any remuneration to which that Director is entitled as described above.

Full details regarding the remuneration of Directors and Executives are included in the Directors' Report and notes to the financial statements of the 2004 Annual Report.

Code of Conduct and Ethical Standards

The Company is not of a size that warrants the establishment of a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. However, the Company's policies are focussed on ensuring that all Directors, Executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

Communication to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

1. Quarterly Cash Flow Reports released to ASX;
2. The Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
3. The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
4. The Half-Yearly Directors' and Financial Reports;
5. Other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.queste.com.au or the ASX website: www.asx.com.au under ASX code "QUE". The Company also maintains an email list for the distribution of the Company's announcements via email in a timelier manner.

Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

TERMS OF ISSUE OF PARTLY PAID SHARES

The Company has on issue 20,000,000 ordinary shares at an issue price of 20 cents each which have been partly paid to 1 cent each and upon which there is an outstanding amount payable of 19 cents per share. Such partly paid shares were issued on 3 August 1998. The total outstanding liability of the holders of these shares is the sum of \$3,800,000.

The terms of issue of such partly paid shares (as disclosed in the Company's initial public offering prospectus dated 6 August 1998) are as follows:

1. No call will be made by the Directors on such partly paid shares until the expiry of at least two years from the date of issue of such shares;
2. No more than two (2) calls will be made upon such shares in any one financial year and no call within any one financial year will be made within six (6) months from the date of a previous call;
3. No call may be made for more than Ten Percentum (10%) of the then outstanding amount due and payable for such shares;
4. The Directors may with the prior written consent of a particular holder of such shares vary as for that particular holder the foregoing terms upon which the Directors shall be entitled to make a call;
5. Nothing shall prevent the holders of such shares pre-paying up from time to time or at any one time the whole or part of the amount unpaid on such shares even though no amount has been called to be paid up by the Directors;
6. Dividends of the Company shall be paid to the holders of such shares in the proportion which the amount paid (not credited) on the share is of the total amounts paid and payable (excluding amounts credited) on such share held by them. An amount paid in advance of a call is not to be included as an amount paid on that share for the purposes of calculating entitlement to dividends for such a share;
7. Where the Company shall be listed upon the ASX, the Company will not whilst there shall remain any outstanding liability with respect to such shares apply for Official Quotation of the same with the ASX;
8. Upon such shares being fully paid for in accordance with calls made by the Directors such that there shall be no outstanding liability with respect to the same, such shares will rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company then on issue;
9. Where the Company shall be listed upon the ASX, upon such shares being fully paid for in accordance with calls made by the Directors such that there shall be no outstanding liability with respect to the same, the Company will within three (3) business days from receipt of the monies fully paying up such shares, apply for Official Quotation of all such shares, in accordance with the Corporations Law and the Listing Rules of the ASX;
10. Where the Company shall reorganise its capital, the number of such partly paid shares must be reorganised in the same proportions as other classes of shares and the reorganisation must not involve cancellation or reduction of the total amount payable and unpaid by the holder of such shares;
11. The holders of such shares shall have a fraction of a vote for each partly paid share held with the fractional vote of each share being equivalent to the proportion which the amount actually paid (not credited) for that share is of the total amounts paid and payable (excluding amounts credited) for that share. An amount paid in advance of a call is not to be included as an amount paid up on that share for the purposes of calculating the voting entitlement of such a share;
12. The holders of such shares shall not be entitled to vote at a meeting in respect of those shares on which calls are outstanding and unpaid;
13. Where there is any inconsistency between the terms of issue of these partly paid shares and the terms of the Listing Rules of the ASX (in circumstances where the Company shall be listed upon the ASX) the terms of the Listing Rules of the ASX shall prevail; and
14. Save for the specific terms of issue of these partly paid shares as referred to above (and subject to the Listing Rules of the ASX) in all other respects, the terms of issue of such partly paid shares shall be in accordance with the provisions of the Constitution of the Company.

The partly paid shares are also subject to the Company's Constitution.

STOCK EXCHANGE INFORMATION

as at 21 October 2004

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	11	6,856	0.024
1,001	-	5,000	108	361,988	1.274
5,001	-	10,000	134	1,229,539	4.328
10,001	-	100,000	241	7,404,776	26.068
100,001	-	and over	30	19,401,720	68.304
Total			524	28,404,879	100%

Marketable Parcel

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	2,380	41	61,901	0.217
2,380	-	over	483	28,342,978	99.782
Total			524	28,404,879	100%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding valued at \$500 or less in total, based upon the Company's closing share price on 21 October 2004 of 21 cents per share.

DISTRIBUTION OF UNLISTED PARTLY PAID ORDINARY SHARES

Name	No. of Partly Paid Shares
Chi Tung Investments Ltd	20,000,000

These 20,000,000 ordinary shares were issued at a price of 20 cents per share and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per share.

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- (1) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (2) on a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote;
- (3) on a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share;
- (4) The Company's partly paid shares have a proportional voting entitlement in accordance with the amount paid up for that share.

STOCK EXCHANGE INFORMATION

as at 21 October 2004

TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	ISLAND AUSTRALIA PTY LTD	3,668,577	12.915 *
2	RENMUIR HOLDINGS LTD	2,633,500	9.271 *
3	FAROOQ KHAN	2,399,484	8.447 *
4	BELL IXL NOMINEES PTY LTD	2,298,388	8.091 *
5	MANAR NOMINEES PTY LTD	1,865,663	6.568 *
6	CHI TUNG INVESTMENTS LTD	1,050,000	3.696
7	FAST SCOUT LTD	826,950	2.911
8	CLEOD PTY LTD <CELLANTE SUPER FUND A/C>	717,644	2.526
9	TASCOAST PTY LTD <THE GULABOVSKI FAMILY A/C>	400,631	1.410
10	MRS AMBREEN CHAUDHRI	386,500	1.360
11	MS ROSANNA DE CAMPO	268,100	0.943
12	TOMATO 2 PTY LTD	240,000	0.844
13	DR PETER JOHN CARROLL <DR P J CARROLL NO 3 A/C>	224,000	0.788
14	MRS AFIA KHAN	215,000	0.756
15	MR AYUB KHAN	215,000	0.756
16	KIMBRIKI NOMINEES PTY LTD <KIMBRIKI HAMILTON S/F A/C>	200,000	0.704
17	MR MARK JAMES DAVIDSON	200,000	0.704
18	DR ABE ZELWER <ZELWER SUPERFUND ACCOUNT> >	180,500	0.635
19	MR KEITH FRANCIS OATES & MRS LINDA ANN OATES	175,000	0.616
20	MRS CHERYL DAWN BAGSHAW	168,750	0.594
Total		18,333,687	64.535

* Substantial shareholder of the Company

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