ALLCO EQUITY PARTNERS

**Allco Equity Partners Limited**
ACN 111 554 360

Level 35
101 Collins Street
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26 February 2009

The Manager
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

**31 December 2008 Half Year Report**

Attached for release to the market are the following documents:

- Appendix 4D – Half Year Report
- Results announcement
- Half Year Financial Report

Yours faithfully

**David Neufeld**
**Company Secretary**

# ASX RELEASE

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26 February 2009

**Allco Equity Partners Limited – Results for Announcement to the market (Appendix 4D) for the period ended 31 December 2008**

Allco Equity Partners Limited announces the following results for the Company and its controlled entities for the half year ended 31 December 2008. These results have been subject to review by the Company's external auditor.

**Results for announcement to the market:**

| Extracted from the 31 December 2008 Half Year Financial Report | Six months to 31 December 2008 $A'000 | Six months to 31 December 2007 $A'000 | Change % |
|---|---|---|---|
| Revenue from ordinary activities | 49,176 | 58,443 | (15.9) |
| Net profit from ordinary activities after tax attributable to members | 5,154 | 13,463 | (61.7) |
| Net profit after tax attributable to members | 5,154 | 13,463 | (61.7) |

The results reflect:

- interest income earned on funds held on interest bearing deposit with banking institutions of $3.2 million (2007 - $11.5 million);
- net fees, interest income and fair value accounting impacts on IBA Health Group warrants of $5.6m earned by the Consolidated Entity for providing loan funding to IBA Health Group Limited for the iSOFT plc acquisition in 2007. In the corresponding period to 31 December 2007, net arrangement and underwriting fees of $9.3 million were earned for the equity and loan funding provided to IBA Health Group;
- a profit before financing costs, depreciation, amortisation and tax of $12.6 million (2007 - $11.1 million) earned by Signature Security Group from sales revenue of $37.0 million (2007 - $34.1 million);
- an equity accounted loss of $0.5 million (2007 - $2.3 million profit ) from Baycorp that reflects an accounting standard requirement to recognise changes in expected cash flows from Purchased Debt Ledgers (PDLs) through the profit and loss account;
- an equity accounted contribution of $2.9 million from the Consolidated Entity's interest in IBA Health Group Limited (2007 - $nil); and
- a cumulative mark to market unrealised loss of $4.0 million before tax (2007 - $nil) on available-for-sale listed securities held at balance date that, in accordance with accounting standards, the directors have determined should be taken through the profit and loss account rather than retained in an equity reserve. As the affected assets have always been recorded at fair value, there is no impact on reported net assets per share from recycling this unrealised loss from the equity reserve to the profit and loss account.

Please refer to the accompanying results announcement, 31 December 2008 Half Year Financial Report and Half Year Results Presentation for further information on the results.

## Dividends

The Directors have declared a fully franked interim dividend of 4.0 cents per share (2007 – 5.0 cents per share, fully franked). The record date for determining entitlements to the dividend will be 10 March 2009. The date for payment of the dividend is 31 March 2009. The Company's dividend reinvestment plan has not been activated.

## Net Tangible Assets per Share

| | 31 December 2008[1] $A per share | 31 December 2007[2] $A per share |
|---|---|---|
| Cash and cash equivalents (excluding SSG cash) | 0.75 | 1.46 |
| IBA Health Group[3] | 3.81 | 3.10 |
| Signature Security Group consolidated net assets before debt funding | 1.74 | 1.54 |
| Baycorp | 0.49 | 0.41 |
| Realisable Securities | 0.29 | - |
| Other AEPL net assets (liabilities) | (0.10) | - |
| Signature Security Group net debt funding, non-recourse to AEP | (1.00) | (0.98) |
| **Net Assets per Share** | **5.98** | **5.53** |
| Less intangible assets and goodwill arising primarily from the acquisition of Signature Security Group | (1.53) | (1.41) |
| **Net Tangible Assets per Share** | **4.45** | **4.12** |

[1] based on 91,921,295 issued shares at 31 December 2008
[2] based on 97,318,915 issued shares at 31 December 2007
[3] increased exposure to IBA Health Group mainly reflects equity accounted share of movements in reserves of IBA Health Group during the reporting period. This is further explained in the accompanying Half Year Financial Report.

The remainder of the information requiring disclosure to comply with ASX Listing Rule 4.3A is contained in the accompanying 31 December 2008 Half Year Financial Report and Half Year Results Presentation.

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26 February 2009

# AEP announces 31 December 2008 Half Year Results

## Financial highlights

- Portfolio of defensive companies performing well in a deteriorating economic environment
- Signature Security - underlying pcp EBITDA growth of 9.9%
- Baycorp – underlying pcp EBITDA growth of 9.2%
- IBA Health – like for like pcp revenue growth in excess of 20%
- AEP net profit after tax of $5.2 million
- Interim dividend of 4.0 cents per share, fully franked
- Strong balance sheet with no recourse debt
- Net assets per share of $5.98 at 31 December 2008 based on asset carrying values

## Financial result

Allco Equity Partners Limited ("AEP") today announced a net profit after tax of $5.2 million for the half year ended 31 December 2008 reflecting a solid operational performance by investee entities in the face of deteriorating economic conditions.

The Company has declared a fully franked interim dividend of 4.0 cents per share payable on 31 March 2009. The Record Date for dividend entitlement is 10 March 2009.

The AEP Board believes this is a creditable result in the face of challenging economic conditions and underscores the value of being largely invested in companies with exposure to defensive industries.

The net profit after tax for the six months to 31 December 2008 compares with a $13.4 million profit in the prior corresponding period ("pcp"). The movement mainly reflects reduced interest income as the Company invested cash into operating businesses, lower fees earned in the period and mark to market fair value adjustments on available-for-sale listed securities.

## Performance of investee entities

**IBA Health** (ASX:IBA) announced its results on 17 February 2009. There were many positive elements of IBA Health's results but we are particularly pleased the business is gaining momentum, with 1H09 results ahead of expectations. In the first half the business achieved over 20% pcp organic revenue growth (on a like-for-like basis as if iSOFT had been owned for all of the prior period). Key milestones in the delivery of its next generation product (Lorenzo) into the UK health program were met, and it is making progress in launching this product into other markets. The customer base of IBA Health is strongly skewed toward government, with 94% of revenue directly or indirectly government funded, and should be well positioned through these difficult economic times.

**Signature Security** continues its very solid trading performance with revenue increasing 8.5% and EBITDA increasing 9.9% on the pcp.

Signature's performance in New Zealand has exceeded expectations, particularly in the new business area of in-home medical (personal duress) monitoring. The deteriorating economic environment has caused some tapering off in Signature's equipment sales and installation business in both Australia and New Zealand but this has been compensated for in other areas, such as medical monitoring and the securing of new multi-site clients such as New Zealand Post. An important strength of Signature is its very deep and diverse customer base. The business now monitors close to 100,000 lines for over 80,000 customers. The top 30 customers of Signature represent less than 4% of its revenue base.

Signature acquired the businesses of Watch24 and Accurate Alarms in the half year under review, contributing almost 10,000 new monitoring lines to the business. Signature's national infrastructure allows it to acquire the monitoring contracts from small businesses with minimal increase in its overall cost structure, meaning these acquisitions are highly value accretive.

**Baycorp** has maintained its strong market position in Australia and New Zealand, as underlying EBITDA grew 9.2% over the pcp.

The business continues with its efficiency improvement programs, with its EBITDA margins improving over the period. This has been achieved in a very uncertain economic environment which has made collection of outstanding receivables more difficult.

The increased difficulty of collection led to lower collection recovery rates for the period and a once off impairment to Baycorp's existing purchased debt ledger ("PDL") book as at the balance date. Owing to the reduced recovery rates being experienced across the sector, prices at which new PDLs are being acquired have fallen considerably. However, Baycorp believes that even these reduced prices may not fully factor in the impact of deteriorating economic conditions on future cash collections and, consequently, Baycorp remains cautious in its PDL acquisition activity.

The contingency collection segment has also had its challenges in the half year. While Baycorp maintains a strong position in this market, the negative economic conditions have also meant lower debt volume and collection rates in this area.

The longer term outlook for Baycorp is strong, with higher consumer debt and increasing default rates meaning the need for debt recovery will increase. Baycorp is extremely well placed to take advantage of any change in market conditions with a robust balance sheet and the capacity to increase its PDL investment.

The other listed securities held by AEP are carried at market value as at the balance date. The movement in market price has been taken through the Income Statement.

## Carrying value of investments

Based on the reported carrying values at 31 December 2008, net assets of AEP represented $5.98 per share, as shown in the table below. If the shares in IBA Health are marked to market - rather than the investment being carried on an equity accounted basis - then the adjusted net asset value per share is $4.59.

The increase in the carrying value of the investment in IBA Health reflects equity accounting of AEP's share of IBA Health's net profit and movement in reserves during the reporting period. Included in the equity accounted carrying amount at 31 December 2008 is AEP's share of the movements in the reserves of IBA Health during the six month period to 31 December 2008 of $115.5 million. AEP's equity accounted share of this reserve movement is $35.4 million before tax effect accounting. This amount mainly reflects an increase in IBA Health's foreign currency translation reserve. The weakening of the Australian dollar against the British Pound, Euro and other currencies during the period resulted in IBA Health recognising a significant unrealised gain on translation to Australian dollars of foreign currency financial statements of its controlled entities or business segments. There was a corresponding increase on translation in the Australian dollar carrying value of the net assets, mainly comprising goodwill and intangibles. Accounting standards require AEP to include its share of this movement in the equity accounted carrying amount. The impact is taken directly to AEP's "Share of reserves of interests in associates and joint ventures using the equity method" where it is also tax effected. While it increases the reported net assets of the consolidated entity, this amount is not credited to the Income Statement.  After applying tax effect accounting, the impact on AEP's net assets is $0.27 per share.

Signature continues to trade well and in accordance with the budget and its business plan. AEP carries $141.1 million of goodwill and identifiable intangible assets on its balance sheet associated with the acquisition of Signature.  After reviewing the performance and outlook for the business and the likely timeframe in which AEP would look to exit this investment, the Directors have concluded that the goodwill and intangible assets associated with Signature Security are recoverable at 31 December 2008.

Baycorp continues to be carried at historic cost plus AEP's proportionate share of the movement in retained earnings and reserves since acquisition.

### Table 1: Net assets per share

| | Carrying value at 31 Dec 2008 [1] | | Basis for | IBA Health marked to market [2] | |
|---|---|---|---|---|---|
| | $m | $ / share | carrying value | $m | $ / share |
| **IBA Health** | | | | | |
| Shares & convertible notes | **289.8** | **3.15** | Equity accounted | **161.5** | **1.76** |
| Loan [3] | **60.3** | **0.66** | Historic cost | **60.3** | **0.66** |
| **Signature net assets** | **68.1** | **0.74** | Consolidated | **68.1** | **0.74** |
| **Baycorp** | **45.0** | **0.49** | Equity accounted | **45.0** | **0.49** |
| **Cash and cash equivalents [4]** | **68.9** | **0.75** | Actual | **68.9** | **0.75** |
| **Realisable securities** | **27.1** | **0.29** | Marked to market | **27.1** | **0.29** |
| **Other** | **(9.1)** | **(0.10)** | Actual | **(9.1)** | **(0.10)** |
| **Total net assets [5]** | **550.1** | **5.98** | | **421.8** | **4.59** |

1. Includes 1H09 contributions from equity accounted investments (IBA and Baycorp)
2. IBA Health market value calculated at $0.645 per share / convertible note, representing the closing price as at 25 February 2009
3. Does not include accrued interest
4. Available cash at AEP (not including consolidated cash from Signature)
5. The net assets at 31 Dec 2008 includes the proportionate share of the increase in IBA's foreign currency translation reserve ($0.27 per share), while IBA Health marked to market does not include this increase

## Cash and balance sheet

AEP continues to enjoy a strong balance sheet with no recourse debt attributable to the Company.

At balance date the Company held cash and cash equivalents of $68.9 million.

## Status of action to terminate Management Agreement

On 5 November 2008, the Company sought to terminate the Management Agreement with Allco Equity Partners Management Pty Limited (Receivers and Managers appointed; Voluntary Administrators appointed) (AEPM). The Company subsequently sought a declaration in the Supreme Court of NSW to confirm the validity of the notice of termination. On 9 December 2008, the Court ruled that as a result of the insolvency of AEPM, there had been a breach of a material obligation under the Management Agreement, and that the breach was not capable of remedy within 90 days, but that the breach did not trigger a termination right and, therefore, the court was not prepared to make a declaration that the Management Agreement had been validly terminated. The Company has appealed that ruling. The appeal process is continuing.

## Strategic review and proposed name change

The Company has announced that it has mandated UBS to assist in a strategic review of AEP to determine ways to maximise value for AEP shareholders having regard to current market conditions and AEP's current management and operational structure. The Company expects to make an announcement on any decisions taken by the Board when the review is finalised.

The proposed name change to Oceania Capital Partners Limited will be submitted to shareholders for approval upon the outcome of the review.

* * *

Further information is contained in the Appendix 4D, Half Year Financial Report and Business Review presentation slides released today.

For further information, please contact:

***Investor enquiries***


| | |
|---|---|
| Ian Tsicalas | Robert Moran |
| Chairman | Managing Director |
| Allco Equity Partners Limited | Allco Equity Partners Limited |
| Tel: 02 9255 4122 | Tel: 02 9255 4133 |

***Media enquiries***

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**About Allco Equity Partners**

Allco Equity Partners Limited ("AEP") is an ASX listed investment company which provides its shareholders with investment exposure to, and returns from, investments in operating businesses. AEP pursues private equity style transactions and public market opportunities using private equity investment experience and disciplines. AEP will invest in operating businesses, whether they are listed on a stock market or not. Where it invests in listed businesses it will usually be where there is seen to be a private equity style of investment opportunity.

# Allco Equity Partners Limited

**ABN: 52 111 554 360**

# Half-year Financial Report
# 31 December 2008

# Contents

The Directors present their report together with the financial report of the Consolidated Entity comprising Allco Equity Partners Limited ("the Company" or "AEP") and its controlled entities (together "the Consolidated Entity") for the half year ended 31 December 2008 and the Auditor's report thereon.

**Directors**

The Directors of the Company at any time during or since the end of the half year are:

| Current Directors | Appointed |
|---|---|
| Ian Tsicalas (Chairman from 27 August 2008) | 25 July 2007 |
| Robert Moran (Managing Director) | 25 July 2007 |
| Michael Brogan | 10 August 2007 |
| David Clarke | 5 May 2008 |
| Peter Yates | 12 November 2004 |

| Former Directors | Director From | Director Until |
|---|---|---|
| David Coe (Chairman until 27 August 2008) | 12 November 2004 | 27 August 2008 |

**Principal Activity**

The principal activity of the Company during the course of the current and prior reporting periods was investment. The Company's objective is to invest in operating businesses, whether privately owned or publicly listed, with decisions being based on the fundamental investment characteristics of the business. The Company has a broad investment mandate. The primary focus is on investing capital in businesses which will grow over the investment period, enabling a successful profitable exit for the Company. The Company, either directly or through subsidiary entities, has invested in a number of businesses that operate in the financial services, health technology and security industries.

**Significant Changes in the State of Affairs**

There were no significant changes in the affairs of the Consolidated Entity during the reporting period.

**Operating and Financial Review**

The net profit after tax of the Consolidated Entity for the half year ended 31 December 2008 was $5,196,000 (2007 - $13,407,000).

The result includes:

- interest income earned on funds held on interest bearing deposit with banking institutions of $3.2 million (2007 - $11.5 million);
- net fees, interest income and fair value accounting impacts on IBA Health Group warrants of $5.6 million earned by the Consolidated Entity for providing loan funding to IBA Health Group Limited for the iSOFT plc acquisition in 2007. In the corresponding period to 31 December 2007, net arrangement and underwriting fees of $9.3 million were earned for the equity and loan funding provided to IBA Health Group;
- a profit before financing costs, depreciation, amortisation and tax of $12.6 million (2007 - $11.1 million) earned by Signature Security Group from sales revenue of $37.0 million (2007 - $34.1 million);
- an equity accounted loss of $0.5 million (2007 - $2.3 million profit ) from Baycorp that reflects an accounting standard requirement to recognise changes in expected cash flows from Purchased Debt Ledgers (PDLs) through the profit and loss account (which is further explained below);

- an equity accounted contribution of $2.9 million from the Consolidated Entity's interest in IBA Health Group Limited (2007 - $nil); and
- a cumulative mark to market unrealised loss of $4.0 million before tax (2007 - $nil) on available-for-sale listed securities held at balance date that, in accordance with accounting standards, the directors have determined should be taken through the profit and loss account rather than retained in an equity reserve. As the affected assets have always been recorded at fair value, there is no impact on reported net assets per share from recycling this unrealised loss from the equity reserve to the profit and loss account.

*PDL accounting impacts for Baycorp*

From 1 July 2008, Trans Tasman Collections Holdings Pty Limited (Baycorp) has changed its accounting policy for Purchased Debt Ledgers (PDLs). Baycorp now accounts for PDLs as "Loans and Receivables at amortised cost". Previously the PDLs were accounted for as "Available for sale financial assets". The change in policy means that the fair value of forecast cash flows from PDLs are now assessed using the original effective interest rate implicit to each debt ledger (being the forecast ungeared equity return on the forecast gross cashflows at the time that the PDL was acquired). Under this revised accounting policy, movements in forecast cash flows that impact on the fair value of PDLs are now taken directly to profit and loss rather than through an equity reserve account.

Baycorp re-forecasts its collection expectations on each PDL each six months for the purposes of determining the recoverable amount as at balance date. As at 31 December 2008, Baycorp has adjusted forecast collections across its portfolio of PDLs. In some cases this has resulted in reducing expected collections based on changed economic circumstances and in some cases this has resulted in increasing expected collections based on the particular characteristics of the relevant PDL. In some cases the period over which the collections are expected to be achieved have also altered.

The result of this re-forecasting exercise has been that the PDL assets continue to be a very prospective portfolio of PDLs, with forecast returns well in excess of 20% per annum. However, as a result of the requirement of the accounting standard to discount those forecast cashflows at the original expected effective interest rate (which across the portfolio is a weighted average rate in excess of 35%), even a small reduction in forecast collections or a small delay in expected timing of collection produces a significant decrement to the accounting recoverable amount of the PDL. Baycorp is required to account for this notional deficit in the future collections through its profit and loss account, notwithstanding that the business expects to collect well in excess of the purchase price of the debt. The impact on the equity accounted contribution from Baycorp for the six months ended 31 December 2008 from this re-forecasting exercise was $2.3 million.

*Application of funds*

At balance date the investible capital of the Consolidated Entity was applied in the following manner:

- $71.3 million of cash at bank or on deposit (of which $68.9 million is held by the Company). Deposits are interest bearing and held with major banking institutions;
- approximately $407.0 million of funds invested in IBA Health Group, Signature Security Group and Baycorp. During the period, $14 million of additional equity funding was provided to Signature Security Group to fund synergistic, value accretive acquisitions and to support the build up of its medical monitoring business. An additional equity contribution of $5.0 million was made to Baycorp to assist with acquisition of debt ledgers; and
- investments in other listed securities with a fair value of $27.1 million.

*Carrying values of investments*

Investments and loans are carried at fair value in the balance sheet. In assessing fair value, the directors have had regard to a number of factors, including:

- the appropriate valuation methodology and comparative company valuation multiples;
- the business plans and the investment thesis for each transaction;
- financial analysis taking into account current and budgeted earnings;
- the assessed risks to the forecast outcome being achieved over the expected holding period of each investment; and
- the Company's business model to actively assist and oversee the management of the businesses in which the Consolidated Entity has invested with a view to enhancing the value of those businesses over the expected holding period.

IBA Health Group is a listed entity and, therefore, has a readily identifiable market value at any point in time. The market value of the shares and notes held in IBA Health Group at the 31 December 2008 IBA share price was $154.0 million which compares with an equity accounted carrying amount of $289.8 million. This equity accounted carrying amount includes $35.4 million arising from movements in the reserves of IBA Health Group for the period to 31 December 2008, as explained further below. If the directors had considered the investment had been impaired and used the 31 December 2008 readily identifiable market value, AEP would have made a substantial loss for the period under review. However, having regard to the volatility being experienced by equities markets, the Company's business model and after due consideration of fair value, the directors are of the view that it is not appropriate to measure the fair value of equity accounted listed investments solely by reference to the share price at balance date. Assessment of fair value has been undertaken having regard to the factors outlined in the previous paragraph.

As noted above, included in the equity accounted carrying amount for IBA Health Group at 31 December 2008 is AEP's share of the movements in the reserves of IBA Health Group during the six month period to 31 December 2008 of $115.5 million. AEP's equity accounted share of this reserve movement is $35.4 million before tax effect accounting. This amount mainly reflects an increase in IBA Health Group's foreign currency translation reserve. The weakening of the Australian dollar against the British Pound, Euro and other currencies during the period resulted in IBA Health Group recognising a significant unrealised gain on translation to Australian dollars of foreign currency financial statements of its controlled entities or business segments. There was a corresponding increase on translation in the Australian dollar carrying value of the net assets, mainly comprising goodwill and intangibles. Accounting standards require AEP to include its share of this movement in the equity accounted carrying amount. The impact is taken directly to AEP's "Share of reserves of interests in associates and joint ventures using the equity method" where it is also tax effected. While it increases the reported net assets of the Consolidated Entity, this amount is not credited to the Income Statement.

*Share Buy-back*

On 27 August 2008, the Company announced an intention to acquire and cancel up to 5 per cent of its issued shares by way of an on-market share buy-back as part of its capital management program. The buy-back commenced on 15 September 2008. On 21 November 2008, the Company announced an intention to expand the current on-market share buy back to the maximum permitted under the Corporations Act without the need for shareholder approval (being a maximum of 10% of the issued capital of the Company in a 12 month period). The buy-back will continue for 12 months or until the maximum number of shares is acquired or until notice is given that the buy-back is concluded (whichever first occurs). A maximum of 3,780,673 ordinary shares remain to be bought back and cancelled.

*Borrowings*

The Company had no borrowings in place at 31 December 2008. The Consolidated Entity had borrowings, being $91.8 million of senior and mezzanine debt, net of unamortised borrowing costs, obtained for the acquisition of Signature Security Group (30 June 2008 - $92.9 million). These borrowings are recourse only to Signature Security Group and have no recourse to the Company.

**Dividends**

The 2007/2008 final dividend of $5.8 million (6.0 cents per ordinary share) was paid on 30 October 2008.

The directors have declared an interim dividend of 4.0 cents per ordinary share fully franked. The record date is 10 March 2009 with payment of the dividend to be made on 31 March 2009.

The dividend reinvestment plan has not been activated.

**Events subsequent to reporting date**

The Consolidated Entity holds certain realisable listed securities classified as available-for-sale financial assets. In compliance with accounting standards, the directors have determined that fair value unrealised losses on those securities incurred to 31 December 2008 should be taken through the profit and loss account rather than retained in an equity reserve. Subsequent to 31 December 2008, the market value of those securities has declined further. The impact of further price decrements is being recognised through profit and loss on a monthly basis. Increments in value will be recognised directly in an equity reserve as required by accounting standards. At 24 February 2009, the securities were valued at $17.3 million on a mark to market basis, producing a further fair value unrealised loss of $9.9 million before tax for the period from 1 January 2009.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods. This statement should be read in conjunction with the comments made in the following section on Likely Developments and Prospects.

**Likely Developments and Prospects**

On 5 November 2008, the Company sought to terminate the Management Agreement with Allco Equity Partners Management Pty Limited (Receivers and Managers appointed; Voluntary Administrators appointed) (AEPM). The Company subsequently sought a declaration in the Supreme Court of NSW to confirm the validity of the notice of termination. On 9 December 2008, the Court ruled that as a result of the insolvency of AEPM, there had been a breach of a material obligation under the Management Agreement, and that the breach was not capable of remedy within 90 days, but that the breach did not trigger a termination right and, therefore, the Court was not prepared to make a declaration that the Management Agreement had been validly terminated. The Company has appealed that ruling. The appeal process is continuing.

If AEP's appeal is successful so that the notice of termination is declared valid, then AEP will continue its business activities as a stand alone entity. AEP has offered employment to the investment management team of AEPM on an interim basis to ensure continuity in AEP's business. If the appeal is not successful, the Management Agreement with AEPM will remain operative and under the control of the receivers and managers appointed to AEPM.

On 10 December 2008, the Company announced that it had mandated UBS to conduct a strategic review of all alternatives available to seek to reduce the discount between the Company's share price and its underlying value and to maximise value for AEP shareholders. As at the date of this report, the review is still being completed.

**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the period ended 31 December 2008.

**Rounding off**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

**Ian Tsicalas**
**Chairman**

Dated at Sydney this 25th day of February 2009

**KPMG**

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Allco Equity Partners Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to review.

KPMG

KPMG

Chris Whittingham
*Partner*

Sydney

25 February 2009



KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

## Allco Equity Partners Limited
## Consolidated Income Statement
## for the half-year ended 31 December 2008

| | Note | 31 December 2008 $'000 | 31 December 2007 $'000 |
|---|---|---|---|
| Sales and associated service revenue | | 37,022 | 34,109 |
| Interest income | | 8,353 | 11,500 |
| Dividends received | | 1,011 | - |
| **Total revenue** | | 46,386 | 45,609 |
| Share of profit of associates and joint ventures | 7 | 2,400 | 2,315 |
| Other operating income | | 390 | 10,519 |
| **Total operating income** | | 49,176 | 58,443 |
| Equipment and service materials costs | | (4,162) | (3,991) |
| Unrealised loss on available-for-sale financial assets transferred from reserve | | (4,043) | - |
| Due diligence and transaction costs | | (673) | (1,270) |
| Employee benefits expense | | (16,868) | (15,954) |
| Other operating expenses | | (4,813) | (4,281) |
| **Total profit before financing costs, tax, depreciation and amortisation** | | 18,617 | 32,947 |
| Depreciation | | (2,848) | (2,537) |
| Amortisation | | (2,469) | (3,975) |
| **Total profit before financing costs and tax** | | 13,300 | 26,435 |
| Financing costs | | (4,693) | (5,364) |
| **Profit before income tax** | | 8,607 | 21,071 |
| Income tax expense | | (3,411) | (7,664) |
| **Profit for the period** | | 5,196 | 13,407 |
| **Attributable to:** | | | |
| Equity holders of the parent entity | | 5,154 | 13,463 |
| Minority Interest | | 42 | (56) |
| **Profit for the period** | | 5,196 | 13,407 |
| | | Cents | Cents |
| Basic earnings per share attributable to ordinary equity holders | | 5.47 | 13.73 |
| Diluted earnings per share attributable to ordinary equity holders | | 5.47 | 13.73 |

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

## Allco Equity Partners Limited
## Consolidated Balance Sheet
## as at 31 December 2008

| | Note | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 71,254 | 98,328 |
| Receivables | 4 | 8,423 | 7,603 |
| Loan assets held at amortised cost | 5 | 60,310 | 57,847 |
| Available-for-sale financial assets | 6 | 27,144 | - |
| Inventories | | 2,176 | 1,416 |
| Derivative financial instruments | | - | 2,286 |
| Current tax assets | | 3,044 | 3,982 |
| **Total current assets** | | 172,351 | 171,462 |
| **Non-current assets** | | | |
| Other financial assets | | 1,344 | 486 |
| Investments accounted for using the equity method | 7 | 334,838 | 290,141 |
| Available-for-sale financial assets | 6 | - | 24,930 |
| Property, plant and equipment | | 17,810 | 13,175 |
| Deferred tax assets | | - | 4,609 |
| Intangible assets | 8 | 141,098 | 133,174 |
| **Total non-current assets** | | 495,090 | 466,515 |
| **Total assets** | | 667,441 | 637,977 |
| **Current liabilities** | | | |
| Creditors and payables | | 7,895 | 7,272 |
| Derivative financial instruments | | 4,564 | - |
| Deferred income | | 2,292 | 1,137 |
| Interest-bearing loans and borrowings | 9 | 4,580 | 3,840 |
| Employee entitlements | | 2,516 | 2,109 |
| **Total current liabilities** | | 21,847 | 14,358 |
| **Non-current liabilities** | | | |
| Deferred tax liability | | 7,509 | - |
| Deferred income | | 360 | 296 |
| Interest-bearing loans and borrowings | 9 | 87,188 | 89,020 |
| Employee entitlements | | 441 | 480 |
| **Total non-current liabilities** | | 95,498 | 89,796 |
| **Total liabilities** | | 117,345 | 104,154 |
| **Net assets** | | 550,096 | 533,823 |
| **Equity** | | | |
| Issued capital | 10 | 485,965 | 494,875 |
| Reserves | 11 | 45,810 | 20,017 |
| Retained earnings | 12 | 16,095 | 16,747 |
| **Total equity attributable to equity holders of the parent entity** | | 547,870 | 531,639 |
| Minority interest | | 2,226 | 2,184 |
| **Total equity** | | 550,096 | 533,823 |

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

# Allco Equity Partners Limited
# Consolidated Statement of Changes in Equity
# for the half-year ended 31 December 2008

| | 31 December 2008 $'000 | 31 December 2007 $'000 |
|---|---|---|
| **Total equity at the beginning of the period** | 533,823 | 573,280 |
| | | |
| Fair value adjustments to available-for-sale financial assets, net of tax | 4,380 | - |
| Changes in the fair value of cash flow hedges, net of tax | (430) | (1,351) |
| Share of associate reserves | 25,933 | (829) |
| Foreign exchange translation differences, net of tax | (4,090) | (106) |
| **Net income recognised directly in equity** | 25,793 | (2,286) |
| | | |
| **Profit for the period** | 5,196 | 13,407 |
| | | |
| **Total recognised income and expense for the period** | 30,989 | 11,121 |
| | | |
| **Transactions with equity holders in their capacity as equity holders:** | | |
| Dividends provided for or paid | (5,806) | (36,077) |
| Share buy-back | (8,910) | (10,139) |
| | (14,716) | (46,216) |
| | | |
| **Total equity at the end of the period** | 550,096 | 538,185 |
| | | |
| **Total recognised income and expense for the period is attributable to:** | | |
| Equity holders of the parent entity | 30,947 | 11,148 |
| Minority interest | 42 | (27) |
| **Total recognised income and expense for the period** | 30,989 | 11,121 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Allco Equity Partners Limited
# Consolidated Cash Flow Statement
# for the half-year ended 31 December 2008

| | 31 December 2008 $'000 | 31 December 2007 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 40,223 | 36,970 |
| Payments to suppliers and employees | (30,873) | (30,210) |
| Interest received | 3,410 | 12,448 |
| Dividends received | 1,011 | 3,885 |
| Other operating income | - | 22 |
| Income taxes paid | (904) | (13,991) |
| **Net cash from operating activities** | 12,867 | 9,124 |
| | | |
| **Cash flows from investing activities** | | |
| Fees and interest received from associates | 2,831 | - |
| | | |
| Equity contribution to associates and jointly controlled entities | (5,000) | - |
| Proceeds from sale of available-for-sale financial assets | - | 136,348 |
| Payments for equity accounted investments | - | (237,292) |
| Payments for property, plant and equipment | (7,294) | (3,986) |
| Payments for due-diligence and other transaction costs | (73) | (7,122) |
| Payments for dealer line acquisitions | (9,369) | (12,090) |
| **Net cash from investing activities** | (18,905) | (124,142) |
| | | |
| **Cash flows from financing activities** | | |
| Payments for share buy-back | (8,910) | (12,007) |
| Proceeds from borrowings | - | 12,995 |
| Repayment of borrowings | (1,920) | (1,375) |
| Payment of dividends | (5,806) | (36,077) |
| Interest paid | (4,423) | (4,593) |
| Loans to associates and jointly controlled entities | - | (57,564) |
| **Net cash from financing activities** | (21,059) | (98,621) |
| | | |
| **Net increase in cash and cash equivalents** | (27,097) | (213,639) |
| Cash and cash equivalents at 1 July | 98,328 | 355,299 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 23 | (8) |
| **Cash and cash equivalents at 31 December** | 71,254 | 141,652 |

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

**1. Significant accounting policies**

This general purpose financial report for the half-year ended 31 December 2008 comprises Allco Equity Partners Limited ("the Company" or "AEP"), and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

AEP is a company domiciled in Australia.

The half-year financial report was approved by the Board of Directors on 25 February 2009.

**(a) Statement of compliance**

This consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB134 *Interim Financial Reporting* and the Corporations Act 2001.

This consolidated half-year financial report does not include all of the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the 30 June 2008 consolidated financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**(b) Basis of preparation**

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the consolidated entity in its 30 June 2008 consolidated financial report except for the accounting policy applied to Purchased Debt Ledgers. This is further explained in Note 7.

**(c) Addition of new and revised accounting standards**

The consolidated entity has not adopted any new Standards and Interpretations in this reporting period as there are none that are mandatory for half year reporting periods commencing on or after 1 July 2008.

**(d) Use of estimates and judgements**

The preparation of the consolidated half-year financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the remainder of this financial year and the next financial year are loan assets held at amortised cost (Note 5), the measurement of the recoverable amount of equity accounted investments (Note 7) and intangible assets (Note 8).

## 2. Segment reporting

Segment information is presented in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format is based on the consolidated entity's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The consolidated entity's primary business segments are as follows:

- Corporate — Capital markets investment
- Security — Security system installation and monitoring

| | Corporate | | Security | | Consolidated | |
|---|---|---|---|---|---|---|
| | 31 December 2008 $'000 | 31 December 2007 $'000 | 31 December 2008 $'000 | 31 December 2007 $'000 | 31 December 2008 $'000 | 31 December 2007 $'000 |
| External revenue | 9,330 | 11,447 | 37,056 | 34,162 | 46,386 | 45,609 |
| Inter-segment revenue | - | - | - | - | - | - |
| Segment revenue | 9,330 | 11,447 | 37,056 | 34,162 | 46,386 | 45,609 |
| Share of net profit of associates and joint ventures using the equity method | 2,400 | 2,315 | - | - | 2,400 | 2,315 |
| Other operating income | 390 | 10,519 | - | - | 390 | 10,519 |
| Segment operating income | 12,120 | 24,281 | 37,056 | 34,162 | 49,176 | 58,443 |
| Segment result | 6,040 | 21,884 | 7,260 | 4,551 | 13,300 | 26,435 |

## 3. Cash and cash equivalents

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| Cash at bank and on hand | 22,171 | 3,521 |
| Deposits at call | 1,314 | 13,925 |
| Term deposits | 47,769 | 80,882 |
| | 71,254 | 98,328 |

## 4. Receivables

| | | |
|---|---|---|
| Interest receivable | 1,256 | 876 |
| Trade receivables | 6,362 | 5,803 |
| Provision for doubtful debts | (321) | (365) |
| Other receivables | 464 | 536 |
| Prepayments | 662 | 753 |
| | 8,423 | 7,603 |

### 5. Loans held at amortised cost

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| Loans to associates and jointly controlled entities | 60,310 | 57,847 |
| **Current** | 60,310 | 57,847 |

The consolidated entity has made an interest bearing loan to IBA Health Group Limited (IBA Health) as part of the financing provided for IBA Health's acquisition of iSOFT plc in 2007.

During the period, the due date for repayment of the loan was extended from 29 October 2008 until 30 June 2009. The balance of the loan at 31 December 2008, including an agreed 2.6 per cent loan extension fee, was $60.3 million (30 June 2008: $57.8 million).

The loan is subordinated to IBA Health's existing senior debt facilities. Whilst those senior debt facilities remain in place, the principal way in which the loan can be repaid by IBA Health is from the proceeds of an equity raising or by agreement with its senior lenders.

### 6. Available-for-sale financial assets

| | | |
|---|---|---|
| Listed equity securities at fair value | 27,144 | - |
| **Current** | 27,144 | - |
| | | |
| Listed equity securities at fair value | - | 24,930 |
| **Non-current** | - | 24,930 |

### 7. Investments accounted for using the equity method

The consolidated entity accounts for investments in the following associates and jointly controlled entities using the equity method:

| **Name of entity** | **Principal activity** | **Percentage held 31 December 2008 %** | **Percentage held 30 June 2008 %** | **Place of incorporation** |
|---|---|---|---|---|
| Trans Tasman Collections Holdings Pty Limited | Receivables Management | 50.0 | 50.0 | Australia |
| IBA Health Group Limited | Health Technology | 30.1 | 30.6 | Australia |

The percentage holding in IBA Health Group reduced during the period as a result of shares issued by IBA Health under its approved employee share, loan and incentive plans.

The equity accounted results for the period and the carrying amounts of investments in associates and jointly controlled entities at balance date are:

| Name of entity | Contribution to net profit 31 December 2008 $'000 | 31 December 2007 $'000 | Equity accounted carrying value 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|---|---|
| IBA Health Group Limited | 2,882 | - | 289,843 | 249,239 |
| Trans Tasman Collections Holdings Pty Limited | (482) | 2,315 | 44,995 | 40,902 |
| | 2,400 | 2,315 | 334,838 | 290,141 |

The movements in carrying amounts of investments in associates and jointly controlled entities are:

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| Carrying amount at the beginning of the financial period | 290,141 | 33,659 |
| Purchase of investment in associates (including capitalised transaction costs) | - | 246,583 |
| Shareholder loan converted to equity | - | 5,133 |
| Equity contribution to associates and jointly controlled entities | 5,000 | - |
| Net capitalised transaction costs | 29 | - |
| Net share of profits (losses) after income tax | 2,400 | 9,065 |
| Share of movement in reserves | 37,268 | (2,050) |
| Less: unrealised profit eliminated on consolidation (net of tax) | - | (2,249) |
| Carrying amount at the end of financial period | 334,838 | 290,141 |

| | 31 December 2008 Carrying amount $'000 | 31 December 2008 Market value $'000 | 30 June 2008 Carrying amount $'000 | 30 June 2008 Market value $'000 |
|---|---|---|---|---|
| Listed shares (accounted for using the equity method) | 289,843 | 153,988 | 249,239 | 145,225 |

*IBA Health Group Limited*

As part of its business model, the Company actively assists and oversees the management of the businesses that it invests in with a view to enhancing the value of those investments. As such, it is not considered appropriate to measure the fair value of listed investments accounted for using the equity method solely by reference to the share price of those investments at balance date. Assessment of fair value, using appropriate methodologies, is undertaken at balance date to confirm the appropriateness of the carrying amount.

In assessing fair value, the directors have had regard to a number of factors, including:

- the appropriate valuation methodology and comparative company valuation multiples;
- the business plans and the investment thesis for each transaction;
- financial analysis taking into account current and budgeted earnings;

- the assessed risks to the forecast outcome being achieved over the expected holding period of an investment; and
- the Company's business model to actively assist and oversee the management of the businesses in which the consolidated entity has invested in with a view to enhancing the value of those businesses over the expected holding period.

IBA Health is a listed entity and, therefore, has a readily identifiable market value at any point in time. The market value of the shares and notes held in IBA Health Group at the 31 December 2008 IBA share price was $154.0 million which compares with an equity accounted carrying amount of $289.8 million. This equity accounted carrying amount includes $35.4 million arising from movements in the reserves of IBA Health Group for the period to 31 December 2008, as explained further below. If the directors had considered the investment to be impaired and used the 31 December 2008 readily identifiable market value, AEP would have made a substantial loss for the period under review. However, having regard to the volatility being experienced by equities markets, the Company's business model and after due consideration of fair value, the directors are of the view that it is not appropriate to measure the fair value of equity accounted listed investments solely by reference to the share price at balance date. Assessment of fair value has been undertaken having regard to the factors outlined above.

As noted above, included in the equity accounted carrying amount for IBA Health Group at 31 December 2008 is AEP's share of the movements in the reserves of IBA Health during the six month period to 31 December 2008 of $115.5 million. AEP's equity accounted share of this reserve movement is $35.4 million before tax effect accounting. This amount mainly reflects an increase in IBA Health's foreign currency translation reserve. The weakening of the Australian dollar against the British Pound, Euro and other currencies during the period resulted in IBA Health recognising a significant unrealised gain on translation to Australian dollars of foreign currency financial statements of its controlled entities or business segments. There was a corresponding increase on translation in the Australian dollar carrying value of the net assets, mainly comprising goodwill and intangibles. Accounting standards require AEP to include its share of this movement in the equity accounted carrying amount. The impact is taken directly to AEP's "Share of reserves of interests in associates and joint ventures using the equity method" where it is also tax effected (Note 11). While it increases the reported net assets of the consolidated entity, this amount is not credited to the Income Statement.

*Trans Tasman Collections Holdings Pty Limited (Baycorp)*

An additional $5.0 million equity contribution was made to Trans Tasman Collections Holdings Pty Limited during the period. Further information is provided in note 14(b).

From 1 July 2008, Trans Tasman Collections Holdings Pty Limited (Baycorp) has changed its accounting policy for Purchased Debt Ledgers (PDLs) as has the consolidated entity. Baycorp now accounts for PDLs as "Loans and Receivables at amortised cost". Previously the PDLs were accounted for as "Available for sale financial assets". The change in policy means that the fair value of forecast cash flows from PDLs are now assessed using the original effective interest rate implicit to each debt ledger (being the forecast ungeared equity return on the forecast gross cashflows at the time that the PDL was acquired). Under this revised accounting policy, any movement in forecast cash flows that impact on the fair value of PDLs is now taken directly to profit and loss rather than through an equity reserve account. Baycorp re-forecasts its collection expectations on each PDL each six months for the purposes of determining the recoverable amount as at balance date. As at 31 December 2008, Baycorp has adjusted forecast collections across its portfolio of PDLs. In some cases this has resulted in reducing expected collections based on changed economic circumstances and in some cases this has resulted in increasing expected collections based on the particular characteristics of the relevant PDL. In some cases the period over which the collections are expected to be achieved have also altered. The impact on the equity accounted contribution from Baycorp for the six months ended 31 December 2008 from the re-forecasting exercise was $2.3 million.

## 8. Intangible assets

| | Goodwill $'000 | Monitoring contracts $'000 | Total $'000 |
|---|---|---|---|
| Opening balance 1 July 2007 | | | |
| Cost | 115,878 | 21,701 | 137,579 |
| Accumulated amortisation and impairment | - | (12,961) | (12,961) |
| Net carrying amount | 115,878 | 8,740 | 124,618 |
| | | | |
| Movement during the year ended 30 June 2008 | | | |
| Cost of originated intangible costs | - | 13,739 | 13,739 |
| Amortisation | - | (4,337) | (4,337) |
| Effect of movements in foreign exchange | - | (846) | (846) |
| Closing net carrying amount | - | 8,556 | 8,556 |
| | | | |
| Balance as at 30 June 2008 | | | |
| Cost | 115,878 | 35,440 | 151,318 |
| Accumulated amortisation and impairment | - | (18,144) | (18,144) |
| Net carrying amount | 115,878 | 17,296 | 133,174 |
| | | | |
| Movement during the period ended 31 December 2008 | | | |
| Cost of originated intangible costs | 352 | 9,369 | 9,721 |
| Amortisation | - | (2,469) | (2,469) |
| Effect of movements in foreign exchange | - | 672 | 672 |
| | 352 | 7,572 | 7,924 |
| | | | |
| Balance as at 31 December 2008 | | | |
| Cost | 116,230 | 44,809 | 161,039 |
| Accumulated amortisation and impairment | - | (19,941) | (19,941) |
| Net carrying amount | 116,230 | 24,868 | 141,098 |

**Impairment tests for goodwill**

Goodwill is allocated to the consolidated entity's cash-generating units (CGU), identified according to business segment. At 31 December 2008, the entire goodwill balance of $116.2 million (30 June 2008: $115.9 million) related to the consolidated entity's investment in the Security (security system installation and monitoring) segment. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The directors consider that the intangible assets are recoverable at 31 December 2008. Factors taken into account in making this assessment included:

- the business plans and the investment thesis for the business segment;
- financial analysis taking into account current operating performance and forecast earnings;
- the assessed risks to the forecast outcome being achieved over the expected holding period of the investment;
- independent assessments commissioned by the Company; and
- the Company's business model to actively assist and oversee the management of the businesses that the Company has invested in with a view to enhancing the value of those businesses over the expected holding period.

## 9. Interest-bearing loans and borrowings

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| Senior secured borrowings | 4,580 | 3,840 |
| **Current** | 4,580 | 3,840 |
| | | |
| Senior secured borrowings | 62,543 | 64,461 |
| Subordinated secured borrowings | 24,645 | 24,559 |
| **Non-current** | 87,188 | 89,020 |

The above borrowings represent debt facilities of Signature Security Group. The facilities are secured against the assets of Signature Security Group entities with no recourse to the Company.

Senior secured borrowings are provided by a syndicate including National Australia Bank and BOS International (Australia) Limited. The borrowings are secured by a first ranking fixed and floating charge over the assets of the relevant subsidiary and are denominated in Australian and New Zealand dollars. Interest rates applicable to the various tranches of the facility were between BBSY + 1.75% and BBSY + 2.0% during the half year ended 31 December 2008, averaging 8.77% for this period. The maturity date of the facility is 30 June 2011. For these borrowings, 75% of the exposure to changes in interest rates has been hedged by entering into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure.

Subordinated secured borrowings are provided by AMP Capital Investors Limited. The borrowings are secured by a fixed and floating charge over the assets of the relevant subsidiary, subordinated to the senior secured borrowings and are denominated in Australian dollars. Interest repayments for the period were at an average borrowing rate of 12.59%. The maturity date of the subordinated facility is six months after the final repayment of the senior secured borrowings.

The Signature Security Group entities also have access to a $30.0 million acquisition facility provided by the senior secured lenders of which $14.2 million was utilised at balance date. Interest rates for the period were at an average rate of 9.38%. A further $10.0 million working capital facility provided by National Australia Bank was drawn to $0.3 million at balance date.

The above borrowings are reported net of associated borrowing costs which are amortised over the term of the facilities.

## 10. Issued capital

| | 31 December 2008 Shares | 30 June 2008 Shares | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|---|---|
| Ordinary shares fully paid | 96,759,258 | 99,630,584 | 494,875 | 506,599 |
| Ordinary shares bought back and cancelled | (4,837,963) | (2,871,326) | (8,910) | (11,724) |
| | 91,921,295 | 96,759,258 | 485,965 | 494,875 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On 27 August 2008, the Company announced an intention to acquire and cancel up to 5 per cent of its issued shares by way of an on-market share buy-back as part of its capital management program. The buy-back commenced on 15 September 2008. On 21 November 2008, the Company announced an intention to expand the current on-market share buy back to the maximum permitted under the Corporations Act without the need for shareholder approval (being a maximum of 10% of the issued capital of the Company in a 12 month period). The-buy back will continue for 12 months or until the maximum number of shares is acquired or until notice is given that the buy-back is concluded (whichever first occurs). A maximum of 3,780,673 ordinary shares remain to be bought back and cancelled.

## 11. Reserves

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| **Equity reserve** | | |
| Opening balance 1 July | 25,690 | 25,690 |
| Transfer from retained earnings | - | - |
| **Total equity reserve** | 25,690 | 25,690 |
| | | |
| **Available-for-sale investments revaluation reserve** | | |
| Opening balance 1 July | (4,380) | - |
| Net unrealised gain/(loss) from changes in fair value on available-for-sale investments | 2,214 | (6,257) |
| Tax effect of net gain/(loss) | (664) | 1,877 |
| Transfer to the profit and loss account | 2,830 | |
| **Total available-for-sale investments revaluation reserve** | - | (4,380) |
| | | |
| **Cash flow hedging reserve** | | |
| Opening balance 1 July | 1,600 | 873 |
| Net gain/(loss) from changes in fair value on effective portion of cash flow hedges | (614) | 1,039 |
| Tax effect of net gain/(loss) | 184 | (312) |
| **Total cash flow hedging reserve** | 1,170 | 1,600 |
| | | |
| **Foreign currency translation reserve** | | |
| Opening balance 1 July | (1,743) | (761) |
| Currency translation differences arising during the year | (4,090) | (739) |
| Tax effect of net (loss) | - | (243) |
| **Total foreign currency translation reserve** | (5,833) | (1,743) |
| | | |
| **Share of reserves of interests in associates and joint ventures using the equity method** | | |
| Opening balance 1 July | (1,150) | 900 |
| Share of reserves during the period | 37,268 | (2,050) |
| Tax effect | (11,335) | - |
| **Total share of reserves of interests in associates and joint ventures using the equity method** | 24,783 | (1,150) |
| | | |
| **Total reserves** | 45,810 | 20,017 |

Included in “Share of reserves of interests in associates and joint ventures using the equity method balance” at 31 December 2008, is AEP’s share of the movements in the reserves of IBA Health during the six month period to 31 December 2008 of $115.5 million. AEP’s equity accounted share is $35.4 million before tax effect accounting. This amount mainly reflects an increase in IBA Health’s foreign currency translation reserve. The weakening of the Australian dollar against the British Pound, Euro and other currencies during the period resulted in IBA Health recognising a significant unrealised gain on translation to Australian dollars of foreign currency financial statements of its’ controlled entities or business segments. There was a corresponding increase on translation in the Australian dollar carrying value of the net assets, mainly comprising goodwill and intangibles. Accounting standards require AEP to include its share of this movement in the equity accounted carrying amount (Note 7). The impact is taken directly to the reserve account and is tax effected.

### 12. Retained earnings

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| Opening balance | 16,747 | 37,869 |
| Net profit for the period attributable to equity holders of the parent entity | 5,154 | 19,794 |
| Dividends paid to shareholders | (5,806) | (40,916) |
| | 16,095 | 16,747 |

### 13. Dividends

| | 31 December 2008 $'000 | 31 December 2007 $'000 |
|---|---|---|
| **Dividends paid** | | |
| Dividends provided for or paid during the half-year | 5,806 | 36,077 |
| **Dividends proposed** | | |
| Dividends not recognised at the end of the half-year | 3,677 | 4,838 |

A dividend of 4.0 cents per share has been proposed for payment. The expected payment date is 31 March 2009.

### 14. Commitments

#### (a) Lease commitments

Commitments in relation to non-cancellable operating leases, contracted for at the reporting date but not recognised as liabilities, are payable as follows:

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| Within one year | 6,384 | 4,765 |
| Later than one year but not later than five years | 16,938 | 12,538 |
| Later than five years | 13,545 | 8,665 |
| | 36,867 | 25,968 |

The lease commitments represent payments due for leased premises under non-cancellable operating leases, and payments for motor vehicles under operating leases.

Included in lease commitments are amounts totalling $31.4 million (30 June 2008: $21.1 million) relating to lease commitments of equity accounted associates and jointly controlled entities.

#### (b) Other commitments

The Company committed in the 2008 financial year to provide an additional $10.0 million of equity funding to Trans Tasman Collections Holdings Pty Ltd (TTCH) to assist with the acquisition of debt ledgers. The funding is being provided as required by TTCH subject to conditions for drawdown being met (including co-contribution by other shareholders of TTCH). An amount of $5.0 million remains committed to be contributed (30 June 2008 - $10.0 million).

In December 2008, the shareholders of Signature Security Group committed to provide an additional $17.0 million of equity to the business to fund synergistic, value accretive acquisitions and business growth. An amount of $3.0 million remains to be contributed.

### 15. Contingencies

The consolidated entity had no material contingent liabilities at 31 December 2008.

### 16. Events occurring after balance date

The Consolidated Entity holds certain realisable listed securities classified as available-for-sale financial assets. In compliance with accounting standards, the directors have determined that fair value unrealised losses on those securities incurred to 31 December 2008 should be taken through the profit and loss account rather than retained in an equity reserve. Subsequent to 31 December 2008, the market value of those securities has declined further. The impact of further price decrements is being recognised through profit and loss on a monthly basis. Increments in value will be recognised directly in an equity reserve as required by accounting standards. At 24 February 2009, the securities were valued at $17.3 million on a mark to market basis, producing a further fair value unrealised loss of $9.9 million before tax for the period from 1 January 2009.

On 10 December 2008, the Company announced that it had mandated UBS to conduct a strategic review of all alternatives available to seek to reduce the discount between the Company's share price and its underlying value and to maximise value for AEP shareholders. As at the date of this report, the review is still being completed.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

In the opinion of the Directors of Allco Equity Partners Limited:

(a) the financial statements and notes set out on pages 9 to 23 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance for the six month period ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that Allco Equity Partners Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Ian Tsicalas
Director

Dated at Sydney this 25th day of February 2009.

## Independent auditor's review report to the members of Allco Equity Partners Limited

### Report on the financial report

We have reviewed the accompanying half-year financial report of Allco Equity Partners Limited, which comprises the consolidated balance sheet as at 31 December 2008, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 16 and the directors' declaration set out on pages 9 to 24 of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

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

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



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*Conclusion*

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

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

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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Chris Whittingham
*Partner*

Sydney

25 February 2009