bluefreeway

Appendix 4D

Half Year Report
BlueFreeway Limited and Controlled Entities
ABN 99 122 262 819

Results for Release to the Australian Stock Exchange (ASX)

Half Year Ended: 31 December 2008 (Comparative period: 31 December 2007)

These accounts have been reviewed by the company's auditors – refer attached Independent Review Report

				$
Total revenues from ordinary activities	Up	21.9%	to	41,900,000
Loss from ordinary activities after tax attributable to members	Up	232.5%	to	(14,664,000)
Net loss for the period attributable to members	Up	232.5%	to	(14,664,000)

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	(0.19) cents	(0.65) cents

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final dividend Interim dividend (not proposed)	Nil	Nil
Previous corresponding period: Final dividend Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend N/A

1) Details of entities over which control has been gained or lost during the period

During the period the entity disposed of Internet Business Corporation Ltd (IBC).

2) Associates or joint ventures

During the period the entity disposed of the following associates and jointly controlled operations:

- Cogentis Pty Ltd
- Deepend Sydney Pty Ltd

3) Audit/Review

The financial statements are not subject to review dispute or qualification.

Refer to the attached Director's Report, Financial Statements, Director's Declaration and Independent Review Report.

BlueFreeway Limited

ACN 122 262 819

and its Controlled Entities

Half Year ended 31 December 2008

This report is to be read in conjunction with the

BlueFreeway Limited Annual Report

for the Year Ended 30 June 2008

Contents

Directors' report

The directors of BlueFreeway Limited submit herewith the financial report of BlueFreeway Limited and its subsidiaries (the Group) for the half-year ended 31 December 2008. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name
The Hon. Nick Greiner AC
Mr Michael Hannan
Mr Kevin Slaven

Review of operations

The Groups revenue for the half year increased by 21.9% to $41,900,000 (2007: $34,361,000). EBITDA (excluding impairment and sale of assets) also improved to $2,758,000 compared to a negative EBITDA for the 2007 half year of ($1,158,000). This turnaround in operating result reflects the underlying strength of the Group's Portfolio of companies and its success in reducing corporate overheads. Corporate overheads dropped by 67% to $1,469,000 (2007: $4,483,000). Profit before tax for the portfolio companies was $3,913,000 (2007:$2,694,000).

The net loss for the period, $14,664,000 (2007: $4,410,000) includes impairment of investments in portfolio companies of $8,621,000 (2007:$nil) and finance costs of $5,769,000 (2007: $2,531,000). Impairment of investments is a "non-cash" reduction to the carrying value of the goodwill of some Portfolio companies. This carrying value was originally recognised when the relevant companies were acquired. Finance costs also included a $1,569,000 interest unwind of the deferred settlement obligations.

During the period the Company completed a Rights Issue raising $12,024,000. These funds were used to pay outstanding creditors, pay earn out payments to vendors of the Portfolio Companies, arising in respect of the financial year ended 30 June 2008 and to meet ongoing working capital requirements of the Group.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 of the half-year financial report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Hannan
Director
Sydney, 27 February 2009

Deloitte.

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The Board of Directors
BlueFreeway Limited
Level 2, 75-85 O'Riordan Street
Alexandria
Sydney, NSW, 2015

27 February 2009

Dear Sirs

BlueFreeway Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BlueFreeway Limited.

As lead audit partner for the review of the financial statements of BlueFreeway Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Kulic

Michael Kulic
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the members of BlueFreeway Limited

We have reviewed the accompanying half-year financial report of BlueFreeway Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 an Interim Financial Report 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 Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BlueFreeway 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.

Deloitte.

Auditor's Independence Declaration

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

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 BlueFreeway 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 Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $14,664,000 for the half year ended 31 December 2008, that the consolidated entity had a net cash outflow from operating activities of $7,867,000 for the half year ended 31 December 2008 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $55,884,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Kulic

Michael Kulic
Partner
Chartered Accountants
Sydney, 27 February 2009

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Hannan
Director
Sydney, 27 February 2009

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Condensed consolidated income statement
for the half-year ended 31 December 2008

	Note	Consolidated Half-year ended 31 Dec 2008 $'000	Restated 31 Dec 2007 $'000
Continuing operations			
Revenue		41,900	34,361
Cost of sales		(13,921)	(11,412)
Gross profit		27,979	22,949
Other revenue		-	293
Other income		381	125
Share of profits of associates and jointly controlled entities accounted for using the equity method		-	18
Distribution expenses		(21,604)	(20,832)
Marketing expenses		(385)	(698)
Occupancy expenses		(2,577)	(2,863)
Depreciation & amortisation		(1,950)	(1,339)
Finance costs		(5,769)	(2,531)
Impairment of goodwill		(8,621)	-
Other expenses		(1,055)	(150)
Loss before tax		(13,601)	(5,028)
Income tax (expense)/benefit		(433)	652
Loss for the period from continuing operations		(14,034)	(4,376)
Discontinued operations			
Loss for the period from discontinued operations	8	(630)	(34)
Loss for the period		(14,664)	(4,410)
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		(10.4)	(6.8)
Diluted (cents per share)		(10.4)	(6.8)
From continuing operations:			
Basic (cents per share)		(9.9)	(6.8)
Diluted (cents per share)		(9.9)	(6.8)

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

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Condensed consolidated balance sheet
as at 31 December 2008

	Consolidated	
		Restated
	31 Dec 2008 $'000	30 June 2008 $'000
Current assets		
Cash and cash equivalents	8,075	4,156
Trade and other receivables	16,662	15,134
Inventories	304	450
Other	6,457	2,502
Total current assets	**31,498**	**22,242**
Non-current assets		
Investments accounted for using the equity method	-	1,382
Property, plant and equipment	2,935	2,632
Deferred tax assets	714	728
Goodwill	49,879	59,989
Other intangible assets	10,442	11,267
Total non-current assets	**63,970**	**75,998**
Total assets	**95,468**	**98,240**
Current liabilities		
Trade and other payables	17,003	18,426
Borrowings	44,124	33,916
Current tax payables	2,043	1,738
Provisions	1,417	2,866
Deferred settlements obligations	19,837	10,253
Other	2,958	2,584
Total current liabilities	**87,382**	**69,783**
Non-current liabilities		
Borrowings	82	97
Provisions	136	86
Deferred Tax Liability	975	1,105
Deferred settlements obligations	5,043	18,140
Other	971	739
Total non-current liabilities	**7,207**	**20,167**
Total liabilities	**94,589**	**89,950**
Net assets	**879**	**8,290**
Equity		
Issued capital	73,768	62,075
Reserves	(3,518)	328
Accumulated losses	(69,371)	(54,113)
Total equity	**879**	**8,290**

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2008

	Fully paid ordinary shares $'000	Share Based Payment reserve $'000	Foreign currency translation reserve $'000	Accumulated Losses $'000	Attributable to equity holders of the parent $'000	Minority interest $'000
Balance at 1 July 2007	**39,020**	**171**	**(38)**	**2,174**	**41,327**	**1,616**
Exchange differences arising on translation of foreign operations	-	-	130	-	130	-
Net income recognised directly in equity	-	-	130	-	130	-
Derecognition of minority interests	-	-	-	-	-	(1,616)
Loss for the period	-	-	-	(4,410)	(4,410)	-
Total recognised income and expense	-	-	-	(4,410)	(4,410)	-
Recognition of share based payments	-	74	-	-	74	-
Issue of ordinary shares	20,102	-	-	-	20,102	-
Share issue costs	(393)	-	-	-	(393)	-
Related income tax	118	-	-	-	118	-
Balance at 31 December 2007	**58,847**	**245**	**92**	**(2,236)**	**56,948**	**-**

	Fully paid ordinary shares $'000	Share Based Payment reserve $'000	Foreign currency translation reserve $'000	Accumulated Losses $'000	Attributable to equity holders of the parent $'000	Minority interest $'000
Balance at 1 July 2008	**62,075**	**228**	**100**	**(54,308)**	**8,095**	**-**
Reclassification of impairment	-	-	-	900	900	-
Amortisation of identifiable intangibles net of tax effect	-	-	-	(705)	(705)	-
Adjusted balance at 1 July 2008	**62,075**	**228**	**100**	**(54,113)**	**8,290**	**-**
Exchange differences arising on translation of foreign operations	-	-	(3,846)	-	(3,846)	-
Net income recognised directly in equity	-	-	(3,846)	-	(3,846)	-
Loss for the period	-	-	-	(14,664)	(14,664)	-
Total recognised income and expense	-	-	-	(14,664)	(14,664)	-
Issue of ordinary shares	12,024	-	-	-	12,024	-
Share issue costs	(331)	-	-	-	(331)	-
Payment of dividends to outside equity interests	-	-	-	(594)	(594)	-
Balance at 31 December 2008	**73,768**	**228**	**(3,746)**	**(69,371)**	**879**	**-**

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

Condensed consolidated cash flow statement for the half-year ended 31 December 2008

	Consolidated Half-year ended 31 Dec 2008 $'000	Consolidated Half-year ended 31 Dec 2007 $'000
Cash flows from operating activities		
Receipts from customers	45,122	35,559
Payments to suppliers and employees	(50,637)	(40,457)
Interest and other costs of finance paid	(2,107)	(586)
Income tax paid	(245)	(447)
Net cash used in operating activities	(7,867)	(5,931)
Cash flows from investing activities		
Payment for associates and jointly controlled entities	-	(914)
Proceeds on sale associates and jointly controlled entities	812	-
Interest received	299	125
Payment for property, plant and equipment	(1,720)	(1,556)
Proceeds from sale of businesses	185	-
Payment for Businesses	-	(38,933)
Payment of deferred settlement obligations	(7,527)	-
Deposits paid	(286)	(138)
Net cash used in investing activities	(8,237)	(41,416)
Cash flows from financing activities		
Proceeds from issues of equity securities	12,024	16,150
Payment for share issue costs	(331)	(357)
Proceeds from borrowings	15,500	24,303
Repayment of borrowings	(7,170)	-
Net cash provided by financing activities	20,023	40,096
Net increase/(decrease) in cash and cash equivalents	3,919	(7,251)
Cash and cash equivalents at the beginning of the period	4,156	10,785
Cash and cash equivalents at the end of the period	8,075	3,534

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

Notes to the condensed consolidated financial statements

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1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

Going concern

The financial report has been prepared on a going concern basis which assumes the Group will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date of the financial report.

The Income Statement for the half year ended 31 December 2008 reflects a consolidated net loss of $14,664,000 and the Cash Flow Statement reflects consolidated net cash outflows from operating activities of $7,867,000. As at 31 December 2008, the Balance Sheet reflects an excess of current liabilities over current assets in respect of the Group of $55,884,000. As the Group had breached a covenant relating to its loans and convertible notes as at the balance sheet date, the current liabilities in the Balance Sheet include the bank borrowings of $26,710,000, related party borrowings of $10,993,000 and convertible note borrowings of $7,012,000 from the company's major shareholder IPMG. Formal waivers were subsequently received from the various lenders in relation to this breach.

In addition the Group has two significant future payment obligations. Firstly, the Group has contractual Deferred Settlement Obligations in the form of deferred consideration and deferred earn out commitments which are required to be settled in cash as disclosed in the Balance Sheet. Secondly, under the bank loan agreement with its major financier the Group is required to have, by 30 September 2009, a Bank Loan to Earnings Before Interest Tax, Depreciation and Amortisation ("EBITDA") coverage ratio of 2.75 and, to the extent this bank loan to EBITDA coverage ratio is not achieved, the Group is required to obtain additional funds to pay down the covenant shortfall of the bank loan.

As at 31 December 2008, the Group was in breach of a covenant on its bank borrowings, related party and convertible note borrowings from its major shareholder IPMG. As noted above formal waivers have subsequently been received from the various lenders in relation to this breach. Should a covenant breach occur in the future, the Group would be reliant on the continued financial support of its bank lender and of its major shareholder IPMG in order to continue as a going concern.

To address the likely future additional funding requirements for the Group, since 31 December 2008, the Company has undertaken the following initiatives:

- Received waivers from IPMG and its major bank financier for the covenant breach existing at 31 December 2008;
- Entered into discussions with the Group's major shareholder IPMG to recapitalise the Group through an additional equity and/or debt raising;
- Entered into discussions with the Group's major financier to renegotiate borrowing terms and covenants on a go forward basis;
- Entered into discussions with the Group's major shareholder IPMG to renegotiate borrowing terms and covenants on a go forward basis;
- Entered into discussions over the restructuring of a number of portfolio company's contractual deferred settlement payment obligations;
- Undertaken a programme to continue to monitor the Group's ongoing working capital requirements;

Notes to the condensed consolidated financial statements (continued)

1. Significant accounting policies (continued)

- Continued its focus on the reduction in corporate overheads and refocus on the operating portfolio businesses, the aim of which will be to restructure the business into a position of profitability.

The directors are confident that, as a result of the above initiatives, it is appropriate to prepare the financial statements on a going concern basis.

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

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. Segment information

Information on business segments

For management purposes, the Group is organised into two major operating divisions. These divisions are the basis on which the Group reports its primary segment information. The principal services of each of these divisions are as follows:

- IT infrastructure services – the hosting of internet web sites and connectivity services.
- Digital marketing and communications

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

Continuing operations:	**Segment revenue**		**Segment result**	
	Half year ended 31 Dec 2008 $'000	**Half year ended 31 Dec 2007 $'000**	**Half year ended 31 Dec 2008 $'000**	**Restated Half year ended 31 Dec 2007 $'000**
IT infrastructure services	10,872	4,704	746	684
Digital marketing and communications	31,028	29,657	3,167	2,010
Consolidated revenue	41,900	34,361		
			3,913	2,694
Head office expenses			(1,469)	(4,483)
Loss on sale of investments & associates			(611)	-
Amortisation of software intangibles			(1,044)	(708)
Impairment of goodwill			(8,621)	-
Finance costs			(5,769)	(2,531)
Income tax (expense)/benefit			(433)	652
(Loss) for the year from continuing operations			(14,034)	(4,376)

2. Segment information (continued)

Discontinuing operations:

	Segment revenue		Segment result	
	Half year ended 31 Dec 2008 $'000	**Half year ended 31 Dec 2007 $'000**	**Half year ended 31 Dec 2008 $'000**	**Half year ended 31 Dec 2007 $'000**
Digital marketing and communications				
Consolidated revenue	600	962		
Profit/(loss) before income tax expense			100	(34)
Loss on disposal			(730)	-
			(630)	(34)
Income tax expense			-	-
Profit/(loss) for the period from discontinuing operations			(630)	(34)
(Loss) for the period			**(14,664)**	**(4,410)**

3. Results for the period

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was $49,879,000 (2007: $64,922,000) after an impairment loss of $8,621,000 (2007: $nil) was recognised during the current half of the financial year.

Management believe that the detailed forecasts prepared by each cash generating unit are achievable however highlight that a 10% reduction in earnings before interest and tax within the value in use models and a 2% increase in the discount rate would result in an increase in the impairment loss of $12,609,000 to $21,230,000.

Useful lives of intangible assets

The Group reviews the estimated lives of its intangibles at the end of each reporting period having regard to advances in technology. The directors have determined that the useful life of intangible assets should be 5 years.

Deferred settlement obligations

Under the terms of the share purchase agreements, BlueFreeway Limited is contractually obligated to make further payments, in either cash or shares to the portfolio companies.

The deferred settlement obligation is based on the director's best estimate of the value of the financial liability in respect of the minority forward options over the minority's equity and the deferred earn out considerations.

Sale of associates

During the year, the company disposed of both an associate, Cogentis Pty Ltd and a jointly controlled entity, Deepend Pty Ltd. The net proceeds were $812,000 and the loss on sale was $611,000.

Borrowing covenants

As at 31 December 2008, the Group was in breach of a single covenant on its bank and related party loan and convertible notes. Formal waivers have subsequently been received from the various lenders in relation to the breach.

4. Issuances, repurchases and repayments of equity securities

On the 14 November 2008, BlueFreeway Limited issued 240,498,237 ordinary shares for $12,024,000 under a 3 for 1 rights issue at 5 cents per share.

5. Issuance of debt securities

During the half-year reporting period, BlueFreeway Limited issued 13 convertible notes each with a face value of $500,000 (2007: $nil) to IPMG Administration Pty Limited, the net proceeds were $6,500,000. The notes have a 5 year conversion term and are convertible into BlueFreeway shares at $0.12 per share. The notes attract interest at 400bps above BBSY whilst interest is being paid and 600bps above BBSY whilst interest is not being paid.

Notes to the condensed consolidated financial statements (continued)

5. Issuance of debt securities (continued)

On 16 September 2008 BlueFreeway Limited announced the finalisation of a $10,000,000 loan which has been made available by its major shareholder, IPMG Administration Pty Limited, for a 2 year term to fund working capital requirements of $5,000,000 and reduce existing bank borrowings by $5,000,000. Interest applies on the loan at a commercial rate of interest and is expected to be capitalised into the loan in accordance with the conditions of the loan during the loan term. On 29 September 2008, the $10,000,000 loan funds were received by the company.

On 29 September 2008, the Group's major financier revised the existing finance facilities which were due for renewal in December 2008. On that date a new two year facility agreement was signed with the Group's major financier subject to revised covenant arrangements. The new facility loans have been revised to be AUD dollar loans rather than the previous mixture of foreign and local currency loans. This loan conversion resulted in a foreign exchange translation loss of $1,495,000.

6. Contingencies and commitments

The business has no contingent liabilities or assets as at the end of the half-year financial period. Nor have there been any changes on the contingent liabilities or assets since the end of the last annual reporting date.

7. Subsequent events

On 14th January 2009 BlueFreeway Limited sold 24% of Fivia via BlueFreeway France back to the original vendors. This resulted in the extinguishment of the discounted FY09 and FY10 earn out obligations of $3,800,000.

8. Acquisition and disposal of subsidiaries

Discontinued operation

On 31 October 2008 the Group disposed of Internet Business Corporation Ltd (IBC). The net proceeds of the disposal of $185,000 was received in cash.

The profit/(loss) for the period from the discontinued operation is analysed as follows:

	4 months ended 31 Oct 2008 $'000	6 months ended 31 Dec 2007 $'000
Profit/(loss) of IBC operations for the period	100	(34)
Loss on disposal of IBC operations	(730)	-
	(630)	(34)

The following were the results of the IBC business for the period:

	4 months ended 31 Oct 2008 $'000	6 months ended 31 Dec 2007 $'000
Revenue	600	962
Operating expenses	(489)	(974)
Finance costs	(11)	(22)
Profit/(loss) before income tax	100	(34)
Income tax expense	-	-
Profit/(loss) after income tax	100	(34)

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Notes to the condensed consolidated financial statements (continued)

8. Acquisition and disposal of subsidiaries (continued)

Discontinued operation

The net assets of IBC at the date of disposal were as follows:

	4 months ended 31 Oct 2008 $'000
Net assets disposed of	104
Attributable goodwill	811
	915
Loss on disposal	(730)
Net consideration	185
Satisfied by cash, and net cash inflow arising on disposal	185

9. Prior Period Adjustments

Purchase Price Accounting

During the year the directors finalised the purchase price accounting on the subsidiaries acquired in the half year ended 31 December 2007 and identified software as an identifiable intangible assets with a 5 year useful life.

The financial effect, assuming the identifiable intangible assets are held until the end of their estimated useful life is a reduction of the goodwill of $3,633,000 recognised in respect of these acquisitions as at 30 June 2008, an increase an increase to intangible assets of $4,933,000, an increase to retained earnings of $195,000 and a recognition of a Deferred Tax Liability of $1,105,000.

As at 30 June 2008. the company had recorded an impairment charge in respect of the provisional goodwill balances recognised on certain acquired entities for which the acquisition accounting had not been finalised as at 30 June 2008. Therefore, in the six month period ended 31 December 2008 a prior year adjustment has been made to amortise the acquired identifiable intangible assets referred to in the above paragraph amounting to $900,000 and the previously recognised goodwill impairment of $900,000 was reversed. The net impact on the statement of changes in equity as at 1 July 2008 was a credit of $195,000 to retained earnings arising from the reversal of the deferred tax liability created on recognition of an identifiable intangible asset on acquisition.

The total amortisation expense over the useful life of the identifiable intangible is shown below:

Financial years	$'000
2008	900
2009	1,167
2010	1,167
2011	1,167
2012	1,167
2013	265