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

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	Contribution to net profit 31 December 2007 $'000	Equity accounted carrying value 31 December 2008 $'000	Equity accounted carrying value 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		30 June 2008	
	Carrying amount $'000	Market value $'000	Carrying amount $'000	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	30 June 2008
Equity reserve	**$'000**	**$'000**
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*.

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*.

KPMG

KPMG

Chris Whittingham
Partner

Sydney

25 February 2009