



IT&E Limited

Appendix 4E

**Preliminary final report for the Financial Year
ended 30 June 2008**

IT&E Limited

Preliminary final report for the Financial Year ended 30 June 2008

ABN: 84 088 299 512

Financial Year ended 30 June 2008

Previous corresponding period – Full year ended 30 June 2007

Results for announcement to the market

				\$A'000
Revenue and Net Profit before impairment of Goodwill				
Revenue from ordinary activities	Up	10%	to	13,138
Profit (loss) from ordinary activities attributable to members	Down	20.3%	to	(4,545)
Revenue and Net Profit				
Revenue from ordinary activities	Up	10%	to	13,138
Profit (loss) from ordinary activities attributable to members	Up	4%	to	(5,936)
Net profit (loss) for the period attributable to members	Up	4%	to	(5,936)
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend Interim dividend	Nil		Nil	
Previous corresponding period:				
Final dividend Interim dividend	Nil		Nil	
Date for determining entitlements to the dividend			N/A	

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Brief explanation of Revenue and Net Profit

Revenue showed some improvement from F07 due to four new sales of RAZOR and three successful implementations but was lower than expected primarily as a consequence of:

- Delays in sales due to the difficult banking environment
- Deferral of recognition of the sign-on portion (US\$1m) of a RAZOR product licence that was invoiced and paid prior to 30 June 2008 but will be recognised over several years in accordance with AASB 118 *Revenue*
- The mutually agreed termination of a major joint NextSet/PTX development project as announced on 30 April 2008
- Lower services revenue reflecting a growing focus on the RAZOR product and related implementations.

Operating loss before Goodwill Impairment was 23% lower than F07 primarily as a consequence of increased Razor product revenue.

The significant loss was primarily due to revenues being lower than expected as explained above.

Operating result including goodwill impairment was a loss higher than F07 as a consequence of the issues explained above and a NextSet/PTX goodwill impairment write-off of \$1,391k following the termination of the NextSet/PTX major joint development project noted above.

Signed by the Chairman



.....
Ellis Bugg 31 August 2008

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Consolidated Income Statement For the Financial Year ended 30 June 2008

	Note	CONSOLIDATED	
		2008 \$'000	2007 \$'000
License fees and services		13,084	11,791
Interest revenue		54	110
Revenue	5	13,138	11,901
Cost of sales		(11,103)	(10,527)
Gross profit		2,035	1,374
Other income	5	131	151
<i>Operating expenditure</i>			
Marketing expenses		(63)	(52)
Occupancy expenses		(1,017)	(790)
Employee benefits expenses		(1,469)	(2,093)
Administrative expenses		(3,457)	(3,347)
Goodwill impairment	8	(1,391)	-
Other expenses		(613)	(576)
Finance costs		(12)	(53)
(Loss) before tax and share-based payments		(5,856)	(5,386)
Share-based payment expense		(53)	(298)
(Loss) before income tax		(5,909)	(5,684)
Income tax expense		(27)	(16)
Net (loss) for the period		(5,936)	(5,700)
Basic and diluted earnings per share (cents per share)	6	(2.41)	(2.74)

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**Consolidated Balance Sheet
As at 30 June 2008**

	<i>Note</i>	<i>CONSOLIDATED</i>	
		<i>2008</i>	<i>2007</i>
		<i>\$'000</i>	<i>\$'000</i>
ASSETS			
Current Assets			
Cash and cash equivalents		1,604	2,429
Trade and other receivables		1,905	2,248
Prepayments		120	102
Financial assets		341	62
Accrued revenue		962	339
Total Current Assets		4,932	5,180
Non-current Assets			
Financial assets		185	425
Property, plant and equipment		566	286
Goodwill	8	3,290	4,681
Investments in controlled entities		-	-
Total Non-current Assets		4,041	5,392
TOTAL ASSETS		8,973	10,572
LIABILITIES			
Current Liabilities			
Trade and other payables		2,141	2,082
Current tax liabilities		-	18
Provisions		847	761
Unearned revenue		2,410	968
Total Current Liabilities		5,398	3,829
Non-current Liabilities			
Deferred lease incentive		262	-
Convertible Loan		164	-
Provisions		333	271
Total Non-current Liabilities		759	271
TOTAL LIABILITIES		6,157	4,100
NET ASSETS		2,816	6,472
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	52,212	49,273
(Accumulated losses)		(52,714)	(46,778)
Reserves		3,318	3,977
TOTAL EQUITY		2,816	6,472

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Consolidated Statement of Changes in Equity For the Financial Year ended 30 June 2008

	<i>CONSOLIDATED</i>			
	<i>Issued capital</i> \$ '000	<i>Accumulated losses</i> \$ '000	<i>Other reserves</i> \$ '000	<i>Total</i> \$ '000
At 1 July 2007	49,273	(46,778)	3,977	6,472
Net (loss) for the period	-	(5,936)	-	(5,936)
Currency translation differences	-	-	87	87
Total recognised income and expense for the period	-	(5,936)	87	(5,849)
Issue of share capital (note 21)	2,140	-	-	2,140
Share earn-out (note 21)	12	-	(12)	-
Share-based payment (note 21)	5	-	48	53
Share payment Halcyon (note 21)	782	-	(782)	-
Capital raising expenses (note 21)	-	-	-	-
At 30 June 2008	52,212	(52,714)	3,318	2,816

	<i>CONSOLIDATED</i>			
	<i>Issued capital</i> \$ '000	<i>Accumulated losses</i> \$ '000	<i>Other reserves</i> \$ '000	<i>Total</i> \$ '000
At 1 July 2006	46,144	(41,078)	3,017	8,083
Net (loss) for the period	-	(5,700)	-	(5,700)
Currency translation differences	-	-	240	240
Total recognised income and expense for the period	-	(5,700)	240	(5,460)
Issue of share capital (note 21)	3,900	-	-	3,900
Share earn-out (note 21)	406	-	(418)	(12)
Share-based payment (note 21)	9	-	289	298
Share payment Halcyon (note 21)	-	-	824	824
Capital raising expenses (note 21)	(1,186)	-	25	(1,161)
At 30 June 2007	49,273	(46,778)	3,977	6,472

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**Consolidated Cash Flow Statement
For the Financial Year ended 30 June 2008**

	Note	<i>CONSOLIDATED</i>	
		<i>2008</i>	<i>2007</i>
		<i>\$'000</i>	<i>\$'000</i>
Cash flows from Operating Activities			
Receipts from customers (inclusive of GST)		13,264	13,918
Payments to suppliers and employees (inclusive of GST)		(15,839)	(17,290)
Interest and other items of a similar nature received		54	110
ATO Tax Refund		41	-
Government grant received		90	151
Income taxes paid		(27)	(16)
Net cash flows used in operating activities	7	<u>(2,417)</u>	<u>(3,127)</u>
Cash flows from Investing Activities			
Payment of cash element for acquisitions		-	(1,224)
Payments for property, plant and equipment		(286)	(149)
Net cash flows used in investing activities		<u>(286)</u>	<u>(1,373)</u>
Cash flows from Financing Activities			
Proceeds from issue of shares and options		2,140	3,900
Capital raising costs		-	(1,186)
Net cash flows from/(used in) financing activities		<u>2,140</u>	<u>2,714</u>
Net increase/(decrease) in cash and cash equivalents		(563)	(1,786)
Net foreign exchange differences		(262)	(34)
Cash and cash equivalents at beginning of the period		<u>2,429</u>	<u>4,249</u>
Cash and cash equivalents at end of the period		<u>1,604</u>	<u>2,429</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The Financial Report has also been prepared on a historical cost basis.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100.

Going Concern

The Company is in a negative net tangible asset primarily attributed to the deferral of revenue pertaining to the sign-on portion (USD\$1m) of a Razor product license that was invoiced and paid prior to 30 June 2008. This deferral is included as unearned revenue in liabilities and is not a potential cash repayment obligation and will be recognised evenly over the 5 year licence term.

The Board and management of the Company have reviewed and challenged the assumptions used in cash flow forecasts (including performing sensitivity analysis) for the next 12 months with reference to the following factors:

- Timing of customer collections;
- Existing cash burn rates; and
- Movements in foreign exchange rates.

The Board and management have also assessed and identified alternate sources of cash. In particular, the Company has recently commenced discussions with its bankers, ANZ, to establish an overdraft facility in addition to the existing payroll facility.

The Directors have also sought and obtained verbal confirmation from senior representatives of existing customers that contractual payments will be paid on their due dates.

Based on the above actions, the Board and management of IT&e Limited are satisfied as to the going concerns of the company and consolidated entity.

(a) Statement of compliance

The Financial Report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The Financial Report also complies with International Financial Reporting Standards (IFRS).

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of IT&e Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by IT&E Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting, which involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has not made any accounting judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, except for options with a market condition attached, which are valued using a Monte-Carlo model.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. The following specific recognition criteria must also be met before revenue is recognised:

Licence fee revenue

For perpetual licences: revenue from licence fees, where significant customisation, development and/or modification is required, is recognised on a percentage of completion basis over the period from delivery of the product to customer acceptance. The degree of completion of a contract is measured using the costs incurred to date or milestones reached, depending upon the nature of the contract and the most appropriate measure of the percentage of completion.

Where significant customisation, development and/or modification are not required, revenue from license fees is recognised upfront when delivery has occurred and when there are no substantial obligations remaining.

Licences for a fixed term, i.e. three or five year term, the revenue will be recognised over the period of the contract.

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Maintenance fee revenue

Revenue from maintenance fees and other forms of software support are recognised over the period of the contract.

Services revenue

Revenue from professional services, including from systems implementation, training and consultancy, are recognised as services are performed and based on the percentage of completion.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(f) Finance costs

Finance costs are expensed as incurred, where applicable.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases and payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Lease Liability Incentive

On 1 March 2008 the Parent Entity moved to new premises at 115 Pitt Street Sydney. As part of the move, the landlord provided a rent reduction incentive being equal to a 50% reduction in monthly rent payable for the first 18 months of occupation. The rental incentive income and corresponding expense will be amortised on a straight line basis over the term of the lease.

In addition, the landlord provided a lease incentive to move into the premises, which contributed to the overall fit-out costs of the new premises. The lease incentive assets are

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depreciated on a monthly basis with the lease incentive expense offset against lease liability revenue over the life of the lease.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for provision for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(k) Foreign currency translation

Both the functional and presentation currency of IT&e Limited and its Australian subsidiaries are Australian dollars (AUS\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

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All exchange differences in the consolidated financial report are taken to the income statement except for those arising on translation of foreign operations as noted below.

The functional currency of the foreign operations include IT&e (UK) Limited is Great Britain Pounds (GBP), IT&e Global Inc. is United States Dollars (US\$) and IT&e Software India Private Limited is India Rupee (INR).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of IT&e Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(I) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates; or
- interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidated legislation

IT&e Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows for both 2008 and 2007:

Furniture and fittings	–	over 5 years
Office and computer equipment and software	–	over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

For property, plant and equipment, refer to note 2(r) for the impairment accounting policy.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

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(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(o) Investments and other financial assets

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the separate financial statements of IT&E Limited.

Investments (other than investments in subsidiaries) and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(p) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

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Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(q) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(r) Impairment of non-financial assets other than goodwill (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-45 days of recognition.

Financial guarantees

The fair value of the cross guarantee that exists between IT&e Limited and its wholly owned subsidiary IT&e Commerce Solutions Pty Ltd as discussed in note 24 has been assessed considering the likelihood of default, the exposure to default and the probability of liability.

Management reviews the (i) likelihood of default; (ii) exposure to default; and (iii) probability of liability at each balance date before determining the fair value of the financial guarantee.

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(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(u) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. The Group does not have any accumulating sick leave.

(ii) Long service leave

A liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(v) Convertible Loan

On 5 June 08, the company entered into a 2-year convertible interest bearing loan with all Directors and senior Executives whereby the Directors and senior Executives loaned the Company various sums to a maximum of \$20,000 each.

This loan is interest bearing at 1% above the ANZ Bank rate for overdrafts in excess of \$100,000.

At any time during the loan period, the Directors (subject to shareholder approval) and the senior Executives can elect to convert the loan together with all accrued interest into ordinary share capital. The right to convert is only exercisable in full on one occasion. Hence, the convertible loan has been classified as an interest bearing financial liability on the balance sheet at 30 June 2008.

Closed Share Period

IT&e's share trading period commences from the full year balance date, normally June 30th of each year, and ends on release of the announcement of the Company's annual results. The half year share trading period commences from the half year balance date, normally December 31st of each year, and ends on release of the Company's half-yearly report.

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(w) Share-based payment transactions

The Group provides benefits to employees (including senior Executives and Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- (i) the Employee Share Option Plan (ESOP), which provides benefits to Directors and senior Executives; and
- (ii) the Employee Share Acquisition Plan (ESAP), which provides benefits to all employees, including senior Executives and Directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model, except for options with a market condition attached, which are valued using a Monte-Carlo model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of IT&E Limited ('market conditions') if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

Adoption of IFRIC Interpretation 11

The Group has adopted IFRIC Interpretation 11 and recorded in the Parent Entity an increase in investment for the share-based payments recorded in the subsidiary's books. An adjustment was required to retrospectively recognise share based payments granted after 1 July 2005 which has resulted in a change to the 2007 comparative numbers for Investments in Controlled Entities and Other Reserves.

Quantification of the effect of the introduction of Interpretation 11 can be found at Note 14 Share Based Payment Expense and Note 24 Related Party Disclosures.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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(y) Earnings per share

Basic earnings per share (EPS) is calculated as the net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; an- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. INFORMATION ON AUDIT

This Statement is based on accounts which are in the process of being audited.

3. NET TANGIBLE ASSET BACKING PER SHARE

Current period	Prior period
(0.175) cents	0.76 cents

Net tangible assets are negative due to the deferral of the sign-on portion of a RAZOR licence noted above creating unearned revenue (a liability) that the Directors do not consider is refundable. Excluding this liability both net tangible assets and net current assets are positive by more than \$500k. Additional equity contributions have otherwise substantially offset the loss for the period.

4. SEGMENT INFORMATION

The Group's primary segment reporting format is reported geographically as the Group's risks and rates of return are affected predominantly by differences in the geographical markets.

The operating businesses are organised and managed separately according to the geographical responsibility with each segment representing a strategic market that offers different challenges. Transfer prices between geographical segments are set at an arms' length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

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Geographical segments

The consolidated entity operates in the IT industry, predominantly in one line of business, providing software solutions to the financial services industry. During the period, the Company operated in Australia, India, USA and the UK.

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

	<i>Australia</i>	<i>India</i>	<i>USA</i>	<i>UK</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Year ended 30 June 2008					
Revenue					
Sales to external customers	12,373	-	711	-	13,084
Other revenues from external customers	-	-	-	-	-
Inter-segment sales	-	1,092	1,212	2,417	4,721
Total segment revenue	<u>12,373</u>	<u>1,092</u>	<u>1,923</u>	<u>2,417</u>	<u>17,805</u>
Inter-segment elimination					(4,721)
Interest revenue					<u>54</u>
Total consolidated revenue					<u><u>13,138</u></u>
Result					
Segment Results	(5,820)	118	(207)	65	(5,844)
Share-based payments	(12)	-	(15)	(26)	(53)
Profit / (loss) before tax and finance costs	<u>(5,832)</u>	<u>118</u>	<u>(222)</u>	<u>39</u>	<u>(5,897)</u>
Finance Costs	(11)	-	-	(1)	(12)
Profit / (loss) before income tax	<u>(5,843)</u>	<u>118</u>	<u>(222)</u>	<u>38</u>	<u>(5,909)</u>
Income tax expense	-	-	-	(27)	(27)
Net (loss) for the year (note 21)	<u>(5,843)</u>	<u>118</u>	<u>(222)</u>	<u>11</u>	<u>(5,936)</u>
Assets and liabilities					
Total assets	6,369	243	2,276	85	8,973
Total liabilities	4,348	58	1,340	410	6,157
Other segment information:					
Capital expenditure	452	9	28	4	495
Depreciation	<u>(150)</u>	<u>(28)</u>	<u>(13)</u>	<u>(13)</u>	<u>(203)</u>

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Geographical segments (cont.)

	Australia \$'000	India \$'000	USA \$'000	UK \$'000	Total \$'000
Year ended 30 June 2007					
Revenue					
Sales to external customers	10,639	-	1,232	(83)	11,788
Other revenues from external customers	3	-	-	-	3
Inter-segment sales	-	966	226	2,488	3,680
Total segment revenue	<u>10,642</u>	<u>966</u>	<u>1,458</u>	<u>2,405</u>	<u>15,471</u>
Inter-segment elimination					(3,680)
Interest revenue					<u>110</u>
Total consolidated revenue					<u><u>11,901</u></u>
Result					
Segment Results	(5,351)	66	(138)	90	(5,333)
Share-based payments	(274)	-	(9)	(15)	(298)
Profit / (loss) before tax and finance costs	<u>(5,625)</u>	<u>66</u>	<u>(147)</u>	<u>75</u>	<u>(5,631)</u>
Finance costs	(53)	-	-	-	(53)
Profit / (Loss) before income tax	<u>(5,678)</u>	<u>66</u>	<u>(147)</u>	<u>75</u>	<u>(5,684)</u>
Income tax expense	-	-	-	(16)	(16)
Net (loss) for the year (note 21)	<u>(5,678)</u>	<u>66</u>	<u>(147)</u>	<u>59</u>	<u>(5,700)</u>
Assets and liabilities					
Total assets	8,623	373	1,465	111	10,572
Total liabilities	3,532	54	282	232	4,100
Other segment information:					
Capital expenditure	62	54	21	11	148
Depreciation	<u>(182)</u>	<u>(36)</u>	<u>(7)</u>	<u>(13)</u>	<u>(238)</u>

5. REVENUE

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Revenue and Expenses from Total Operations		
(a) Revenue		
Sale of goods	10,244	8,298
Rendering of services	2,840	3,493
	<u>13,084</u>	<u>11,791</u>
(b) Other Income		
Government grant (i)	90	151
Australian Tax Office receivable	41	-
	<u>131</u>	<u>151</u>

(i) An Export Market Development Grant was received in relation to promoting and marketing the company's products in overseas markets. There are no unfulfilled conditions or contingencies attaching to this grant.

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6. EARNINGS PER SHARE

Although options on issue could be considered dilutive, the fully diluted earnings per share calculation cannot give a more favourable result than the basic earnings per share calculation. Therefore, the basic earnings per share calculation are also used for the fully diluted calculation while the Group is in a loss position.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<i>CONSOLIDATED</i> 2008 \$'000	<i>CONSOLIDATED</i> 2007 \$'000
Net (loss) attributable to ordinary equity holders of the parent	(5,936)	(5,700)
	<i>Thousands</i>	<i>Thousands</i>
Weighted average number of ordinary shares for basic earnings per share	246,749	208,209

7. RECONCILIATION OF NET (LOSS) TO NET CASH FLOWS FROM OPERATIONS

	<i>CONSOLIDATED</i>	
	2008 \$'000	2007 \$'000
Net (loss)	(5,936)	(5,700)
<i>Adjustments for:</i>		
Depreciation	203	238
Interest paid	2	-
Rent incentive received	53	-
Goodwill impairment	1,391	-
Bad debts	(29)	29
Share-based payment expense	50	299
Loss on disposal of fixed assets	11	-
Foreign currency translation	91	240
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in financial assets (current)	(279)	77
(Increase) / decrease in trade and other receivables	648	1,464
(Increase) / decrease in prepayments	(19)	21
(Increase) / decrease in accrued revenue	(622)	11
(Increase) / decrease in financial assets (non-current)	226	(302)
(Decrease) / increase in trade and other payables	4	710
(Decrease) / increase in provisions (current liabilities)	123	42
(Decrease) / increase in unearned revenue	1,442	(323)
(Decrease) / increase in non-current liabilities	224	33
(Decrease) / increase in intercompany balances	-	-
Net cash used in operating activities	(2,417)	(3,161)

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8. GOODWILL IMPAIRMENT

	<i>CONSOLIDATED</i>			
	<i>NextSet \$'000</i>	<i>TMS \$'000</i>	<i>Halcyon \$'000</i>	<i>Total \$'000</i>
At 1 July 2006				
Cost (gross carrying amount)	1,548	1,073	-	2,621
Additions	-	12	2,048	2,060
Impairment loss	-	-	-	-
At 30 June 2007	1,548	1,085	2,048	4,681
At 1 July 2007				
Cost (gross carrying amount)	1,548	1,085	2,048	4,681
Additions	-	-	-	-
Impairment loss	(1,343)	(48)	-	(1,391)
At 30 June 2008	205	1,037	2,048	3,290

Impairment losses recognised

TMS

As a result of the weakening of the US exchange rate since the acquisition, an impairment loss of \$48,081 was recognised for operations in the 2008 financial year.

NextSet

As a result of the loss of a client during 2008 the value in use calculation has projected a significant impairment in the value of the NextSet cash generating unit. An impairment loss of \$1,343,282 on NextSet goodwill was recognised for operations in the 2008 financial year.

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9. CONTRIBUTED EQUITY AND RESERVES

CONSOLIDATED

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>
<hr/>		
<i>Ordinary shares</i>		
Issued and fully paid	52,212	49,273

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the company does not have authorised capital or par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	<i>2008</i>		<i>2007</i>	
	<i>Thousands</i>	<i>\$'000</i>	<i>Thousands</i>	<i>\$'000</i>
<hr/>				
<i>Movement in ordinary shares on issue</i>				
Beginning of the financial year	234,585	49,273	196,378	46,144
Issued during the year				
- employee share scheme (i)	55	5	75	9
- capital raising (ii)	33,500	2,140	29,774	3,900
- cost of capital raising	-	-	-	(1,186)
- purchase of the TMS business (iii)	150	12	5,073	406
- purchase of the Halcyon business (iv)	3,017	782	3,285	-
End of the financial year	271,307	52,212	234,585	49,273

- i) Purchased by employees under the ESAP see note 14.
- ii) On 7 December 2007, 16,000,000 shares were issued in a share placement with GBST Holdings Limited, raising \$1.44m. On 4 June 2008, a further 17,500,000 shares were issued in a share placement with GBST Limited (8,750,000 shares), UXC Limited (6,875,000 shares) and Hunter Hall Limited (1,875,000), raising \$700k.
- iii) TMS acquisition: 150,000 shares were issued on 13 November 2007 related to Tranche 3 as part of the business sale agreement.
- iv) Halcyon acquisition: on 12 December 2007, 3,017,455 shares were issued in accordance with the business sale agreement, for a total value of \$782,049. 1,785,580 shares were issued as part of the first earn out period and 1,231,875 shares were issue related to Tranche 2.