30 March 2006

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Pages: 40

Dear Sir/Madam

Results for the Half Year ended 31 January 2006

In accordance with ASX Listing Rule 4.2A, the following documents are attached for release to the market:

- Media release
- Appendix 4D Half Year Results Announcement
- Condensed consolidated interim financial report for the half year ended 31 January 2006
- KPMG Independent Review Report

It is recommended that the half-year financial report is read in conjunction with the annual financial statements as at 30 June 2005 together with public announcement made by the Company in accordance with the continuous disclosure obligations arising under the Australian Stock Exchange Listing Rules and Corporations Act 2001.

Yours faithfully
For and on behalf of B Digital Limited

Harvey Farrington
Company Secretary
B Digital Limited

B Digital Limited. ACN: 085 089 970
Level 2, B Building, 1 Adelaide Terrace, Perth WA 6000
Ph: 61 08 9463-5800
Fax: 61 08 9463-5955

Media Release

For Immediate Publication

B DIGITAL LIMITED - FINANCIAL RESULTS FOR HALF YEAR ENDING 31ST JANUARY 2006

Sydney, 30th March 2006 - B Digital Limited (BBB) today announced its financial results for the half year ended 31 January 2006 reporting a Net Loss after Income Tax, AIFRS adjustments and Significant Items of $1.486 million compared to a Net Profit after Tax and Significant Items of $11.392 million for the previous half year. The results for the current half year cover a 7 month period compared to 6 months for the previous period following the change in the year end reporting date to 31st July.

The results for the current half year were affected by a number of once off adjustments and significant items. The company also became a full tax paying entity in the current period having taken the full tax benefit of accumulated tax losses for accounting purposes in the previous period. The Profit before Tax, AIFRS adjustments and significant items for the current half year was $13.145 million. This is reconciled as follows:

	$'000
Net Loss after Income Tax	**(1,486)**
Income Tax Expense	1,403
AIFRS adjustments	
- amortisation of non current intangibles	747
- employee share option expense	652
- Impact of the accounting policy change on subscriber acquisition costs and commission income	946
Joint Venture Losses	
- B Shop	7,173
- SPTCom	1,509
Assets previously recognised now not considered recoverable	1,333
GST adjustments resulting from ATO audit	139
Restructuring Costs	729
Net Profit before income tax, AIFRS adjustments and significant Items	**13,145**

The cash flow for BBB for the current period also highlights that underlying earnings are consistent with last year. Cash on hand at the end of the current half year is $15.513 million which is $1.634 million greater than the start of the half year. Furthermore during this period BBB paid a dividend totalling $8.294 million (a 41% or $2.414 million increase on last year), income tax of $1.691 million and made loans of $3.73 million to joint venture parties B Shop and SPTCom.

Chairman, Mr David Fairfull stated "The B Digital results for the current half year are very disappointing, however they have been affected by a number of non-recurring significant items and accounting adjustments that are mainly of a non cash nature. The underlying normalised earnings of the Company are similar to last year and the strong cash position of the company at the end of the half year is evidence of this performance".

The significant items arising in the half year include:

- Changes in accounting policies following the adoption of International Financial Reporting Standards (AIFRS) which has resulted in the commencement of recognition of employee share options as an expense, amortisation of non current intangibles and a change in the accounting treatment of subscriber acquisition costs.
- Losses incurred in the write off of the investment in B Shop. BBB acquired a 50% interest in B Shop in April 2005 for $4.2 million. After making this investment there were significant operational inefficiencies and discrepancies discovered. Furthermore, a number of costs applicable prior to acquisition arose requiring write off in the post acquisition period. Subsequent to period end, BBB has sold the 50% shareholding in B Shop for $100 and acquired certain assets and liabilities of B Shop for $200,000. This transaction will see B Shop operations integrated into the BBB business. Whilst the fair value of net assets at acquisition is yet to be determined, the carrying value of assets acquired is $4 million. The acquisition will mean BBB will cease to pay future dealer commissions to B Shop and will retain control of this channel for customer acquisition.
- During the current half year, BBB commenced the implementation of initiatives recently identified as part of an overall strategic review. This process will result in the operational integration of the various business units within B Digital and utilisation of the network assets owned by SPTCom in which BBB holds a 50% interest. The migration of traffic to the SPTCom network will result in improved profit margins. This review will also result in cost savings BBB. As part of this review a number of senior executives and employees have left the company in the half year resulting in redundancy costs of $729,000 which will be offset by savings in subsequent periods.
- SPTCom has recorded a net loss for the current half year. The BBB investment in SPTCom was partially to capitalise on the benefits of infrastructure ownership through improved margins and competitiveness. During the half year BBB was not able to divert traffic to the SPTCom network. The introduction of Internet Protocol (IP) products through this network will allow BBB to be at the leading edge of voice and data IP product development. BBB will shortly introduce residential voice over broadband product bundles. This will see the introduction of VoIP which has been widely discussed as the biggest threat to the Telstra traditional fixed line voice revenue base. This is expected to commence in April 2006 which will see improved margins for BBB and contribute to the profitability of SPTCom.
- During the half year, certain assets recorded in prior periods became unrecoverable. Furthermore, the results of a prior period GST audit were borne in the current half year.

The BBB gross profit for the current half year is $51.426 million which represents a margin of 25.5%. The gross profit margin last year was 27.8%. The reduction in operating margins is largely attributable to the introduction and popularity of capped call mobile plans. Also contributing to the reduction is increased competitiveness of the telecommunications sector in general.

Mr Fairfull concluded ‘whilst directors have taken a number of strategic initiatives to improve the profitability of B Digital we are operating in a difficult market in the telecommunications sector. The Strategic Review will see long-term benefits for shareholders and we are well positioned to compete in a tough market. However, we have some challenges ahead particularly in integration of our business units and rationalisation of B Shop. This is a difficult market where infrastructure ownership is essential and our investment in SPTCom will allow us to compete effectively in this regard”.

For further information, please contact:

Mr David Fairfull
Chairman, BBB
02 9210-7000

Mr Michael Simmons
CEO, BBB
02 8220 6000

Appendix 4D

Preliminary Final Report

Period ended 31 January 2006

Lodged with the ASX under Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2005 Annual Financial Report.

Name of entity

B Digital Limited	**99 085 089 970**

Results for announcement to the market

				$A'000
Revenues from ordinary activities	up	18%	to	201,411
Loss from ordinary activities after tax attributable to members	down	113%	to	(1,486)
Net loss for the period attributable to members	down	113%	to	(1,486)

Dividends

On 13 December 2005 the Company paid a 1 cent fully franked dividend totalling $8.3m.

Tangible assets

	31 Jan 2006 $	31 Dec 2004 $
Net tangible assets backing per ordinary security	0.09	0.07

Compliance Statement

This report is based on accounts that have been subject to review

Explanation of Results

B Digital results for the half year ended 31st January 2006 have been impacted by a number of significant items which are:

* The first time adoption of Australian equivalents to International Financial Reporting Standards.
* Losses associated with investments in joint venture related entities SPTCom Pty Limited and B Shop Telecommunications Pty Ltd.
* Costs incurred in implementing Strategic Review initiatives involving operational integration of operating business units.
* The write-off of assets and incurrence of expenses relating to prior periods.

Harvey Farrington
Company Secretary

Date:

B Digital Limited

and its controlled entities

ABN 99 085 089 970

Condensed Consolidated Interim Financial Report

For seven months ended 31 January 2006

B Digital Limited

CONTENTS

Directors' Report

The Directors present their report together with the consolidated financial report of the Consolidated entity, being B Digital Limited and its controlled entities ("the consolidated entity") and its controlled entities, for the half-year ended 31 January 2006 and the auditor's review report thereon.

Directors

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

Director	Current Position	Date of Change
David Fairfull	Chairman	Appointed Chairman 28 April 2005
Peter George	Non-Executive Director	Appointed Non-Executive Director 1 January 2004 Appointed Acting Managing Director 11 August 2004 Appointed Managing Director 23 November 2004 Appointed Acting Chairman 6 December 2004 until 28 April 2005. Resigned Managing Directorship for Non-Executive Director position 7 February 2006
William (Bill) Egan	Non-Executive Director	Appointed Non-Executive Director 6 December 2004
Denis Ledbury	Non-Executive Director	Appointed Non-Executive Director 28 April 2005
William Cleaves	Non-Executive Director	Appointed Non-Executive Director 28 April 2005
Nick Kotzohambos		Appointed Executive Director 1 January 2004 Resigned 5 December 2005
Desmond Kelly		Appointed Company Secretary August 2000 Resigned 9 November 2005
Harvey Farrington	Company Secretary	Appointed Company Secretary 9 November 2005

Review and results of operations

Principal activities

The principal continuing activity of the the consolidated entity during the course of the half year ended 31 January 2006 was the sale of various telecommunications products and services and associated hardware to business and consumer customers in Australia. The consolidated entity also holds a 50% interest in SPTCom Pty Limited which operates one of Australia's largest Internet Protocol (IP) voice and data networks. The Company trades under a number of brands including *B Mobile, B Home Phone, B Internet, DigiPlus, Bluecall, Kooee and SOUL.* The consolidated entity purchased telecommunications network access and airtime at wholesale rates from various network operators including Optus, Telstra and AAPT during the half year. The consolidated entity commenced the acquisition of network access from related company SPTCom in January 2006. The network access and airtime purchased from these parties is resold to business and consumer customers.

In January 2006 the consolidated entity completed a Strategic Review of the various businesses, companies and brands operated within the consolidated entity. The implementation of initiatives identified as part of this review process were commenced in January. The aim of the review will be to integrate the various business units currently operated in Australia into one concise business with common strategies, products and marketing. Directors are confident this will lead to more efficient operations, improved margins, utilisation of owned infrastructure and cost savings. Results for the half year were affected by once off costs related to this review, the benefits of which will be seen in second half cost savings.

Services

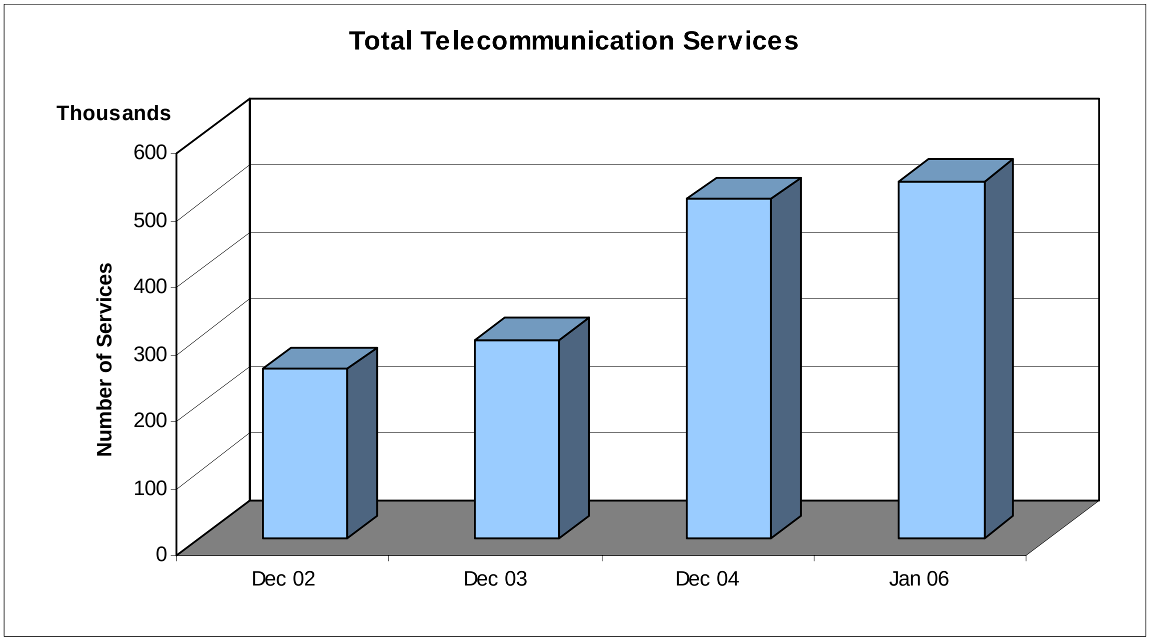
During the half year ended 31 January 2006 the telecommunications market has experienced significant competition and change particularly in the mobile telephony market with the introduction of 3G and the increase in popularity and competition in capped call plans and prepaid services and plans. This has resulted in a growing number of challenges for the consolidated entity to continue the services growth rate at historical levels. The consolidated entity is due to release its own mobile prepaid product in April 2006 followed by the launch of a 3G offering in the middle of the year which the Directors believe will not only boost mobile telephony customer numbers but help improve churn levels.

Delays in migrating the Kooee customer base from the previous wholesale carrier led to increased levels of churn. With migration now complete, the consolidated entity should start to see solid growth in the regional areas targeted by Kooee.

The consolidated entity has commenced marketing initiatives to focus on the acquisition of business and consumer customers in the fixed voice and internet services markets. This focus is intended to differentiate the consolidated entity's customer base away from primarily consumer mobile telephony and to capitalise on the benefits of network ownership by related company SPTCom. The commencement of access to the SPTCom network in January 2006 will enable the Company to offer high quality and competitive voice and internet services adopting the IP network platform.

The growth in ADSL services to date has been slower than anticipated due to uncompetitive wholesale pricing in the market in general and our reluctance to sell this service at below cost. This is expected to improve in the future with the consolidated entity gaining access to more competitive wholesale rates from SPTCom. Various partnering arrangements which SPTCom has in place with DSLAM network owners will enable the consolidated entity to develop more competitive DSL based products and services in the future. For example, the consolidated entity will soon offer for the first time a residential voice over broadband product which will provide highly competitive voice services throughout Australia adopting the Voice Over Internet Protocol (VOIP) technology operated by SPTCom. VOIP has been widely discussed as a major threat to the traditional fixed voice revenue base of Telstra and the consolidated entity through it's investment in SPTCom has access to the largest VOIP capable network in Australia today. The consolidated entity intends to capitalise on this investment by offering competitive voice and internet services to businesses and consumers

The consolidated entity also intends to concentrate more on offering service bundles and has recently launched a campaign for "never pay for dial up again" under the new branding of Soul, providing customers with free dial up internet access when they contract to a fixed line service. The consolidated entity is able to offer free dial up internet due to the extensive IP network owned by SPTCom. This bundle will be followed by other marketing initiatives that will bundle voice and internet products where the consolidated entity has a competitive advantage through infrastructure ownership in SPTCom.



Financial result

For the half year ended 31 January 2006, the consolidated entity recorded a net loss before tax of $0.1 million and a net loss after tax of $1.5 million (2004: net profit after tax $11.4 million).

The result for the period included a number of one off significant items, which consisted of:

- $7.2 million in relation to the share of losses and write off of the 50% investment in B Shop. In April 2005 the consolidated entity acquired a 50% interest in the retail operations of B Shop which was a B Digital dealer operating up to 35 shops and kiosks throughout Australia. During the half year, significant operational inefficiencies were identified in the B Shop operations. In addition significant costs and losses relating to pre-acquisition were identified which had to be recorded in the current half year. Subsequently, the Directors decided to dispose of this investment and have negotiated the sale of the 50% interest held in the company to the joint venture partner and to purchase certain assets and liabilities of B Shop. This will enable the consolidated entity to protect its existing customer base and continue customer acquisition through the B Shop retail shops. It is anticipated further costs will be incurred in the second half in rationalising the business.

- $1.9 million in losses from SPTCom. In May 2005 the consolidated entity acquired a 50% interest in SPTCom Pty Limited which operates one of Austrailia's largest voice and data networks. Directors anticipate SPTCom to improve profitability within the next six months with an increase in corporate sales and the migration of the consolidated entity's fixed wire and internet customer base onto the SPTCom network. This migration commenced in January 2006. At the same time, the consolidated entity will benefit from a reduction in cost of sales with the lower wholesale rates offered by SPTCom to the consolidated entity.

- $0.7 million in redundancy costs as a result of the Strategic Review. Further synergies and operational initiatives will lead to a reduction in the operational cost structure of the consolidated entity.

- $1.3 million in assets previously recognised and are now not considered recoverable.

- $0.65 million in new AIFRS requirements for accounting policies for expensing of employee share options.

The underlying consolidated entity's profit before tax, amortisation of non current intangibles and significant items for the current half year was $13.1 million. This is reconciled as follows:

	$',000
Net Loss after Income Tax	**(1,486)**
Income Tax Expense	1,403
Amortisation of non current intangibles	747
Net profit before income tax and amortisation of non current intangibles	664
Significant Items	
Joint Venture Losses	
- B Shop	7,173
- SPTCom	1,509
Assets previously recognised now not considered recoverable	1,333
GST adjustments resulting from ATO audit	139
Restructuring Costs	729
Employee share option expense	652
Impact of the accounting policy change on subscriber acquisition costs and commission income	946
Net Profit before income tax, amortisation of non current intangibles and significant Items	**13,145**

Cash flow

The consolidated entity's cash on hand at the end of the half year totalled $15.5 million, reflecting an increase of $1.6 million from 30 June 2005. During the half year the consolidated entity paid a fully franked 1 cent dividend totalling $8.3 million (an increase of $2.4 million or 41% on the dividend paid last year), income taxes of $1.7 million and provided loans to its joint venture entities of $3.7 million, thus highlighting the positive underlying performance of the consolidated entity's operations. Net cash provided by operating activities totalled $15.1 million during the half year.

Revenue and Margins

Total revenue for the seven month half year period was $201.4 million (six months ended 31 December 2005; $171.0) which is a 17.8% increase. The gross profit for the seven month half year was $51.4 million which represented a margin of 25.5% compared to a gross profit of $47.5 at a margin of 27.8% for the six month ended 31 December 2004. The reduction in gross profit margin in the current period is largely attributable to increased competition in the mobile telephony market and the introduction of capped call plans.

Events Subsequent to Balance Date

On 10 March 2006, the consolidated entity entered into a Deed with Abraham Ramadan, Array Leasing Pty Ltd and Array Franchising Pty Ltd to sell all of the issued shares owned by the consolidated entity in B Shop Telecommunications Pty Ltd (B Shop) for $100 and to acquire all of the assets and business operations of B Shop for a consideration of $200,000. Whilst the fair value of net assets at acquisition is yet to be determined, the carrying value of assets acquired is $4 million. The consolidated entity may incur further liabilities of approximately $2 million following acquisition. Completion of this acquisition is subject to a condition precedent that requires assignment of all shop and kiosk leases to the consolidated entity.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Director's report for the seven month half year ended 31 January 2006.

Rounding Off

The consolidated entity 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.

Dated at Perth this 30 March 2006.

Signed in accordance with a resolution of the Directors.

Mr Denis Ledbury	Mr David Fairfull
Director	Chairman

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

To: the directors of B Digital Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the interim period ended 31 January 2006 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 the review.

KPMG

KPMG

D P McComish

Partner

Perth

30 March 2006

Condensed consolidated interim income statement
For the 7 months ended 31 January 2006

	Note	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
Revenue	2	201,411	171,046
Cost of sales	3	(149,985)	(123,533)
Gross profit		51,426	47,513
Operating expenses	3	(46,342)	(34,071)
Operating profit before financing costs		5,084	13,442
Financial income		1,456	1,889
Financial expenses		(500)	(676)
		956	1,213
Share of loss of joint venture entities	4	(6,123)	-
(Loss) / profit before tax		(83)	14,655
Income tax expense		(1,403)	(3,263)
(Loss) / profit for the period		(1,486)	11,392
Basic (loss) / earnings per share attributable to ordinary equity holders	5	(0.00)	0.02
Diluted (loss) / earnings per share attributable to ordinary equity holders	5	(0.00)	0.02

Condensed consolidated interim statement of recognised income and expense
For the 7 months ended 31 January 2006

	Note	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
Net income recognised directly in equity		-	-
(Loss) / profit for the period		(1,486)	11,392
Total recognised income and expense for the period		(1,486)	11,392

Condensed consolidated interim balance sheet
As at 31 January 2006

	Note	31-Jan-2006 $'000	30-Jun-2005 $'000
Current assets			
Cash assets		15,513	13,879
Receivables		46,718	45,258
Inventories		1,228	2,000
Intangibles - subscriber acquisition costs		39,241	36,686
Other		555	1,853
Total current assets		103,255	99,676
Non current assets			
Receivables		19,671	19,232
Investments accounted for using the equity method		40,207	46,329
Property, plant & equipment		3,728	4,222
Deferred tax asset		1,108	2,175
Intangibles	6	118,867	118,067
Other		1,222	5,297
Total non current assets		184,803	195,322
Total assets		288,058	294,998
Current liabilities			
Payables		51,077	46,380
Interest bearing liabilities		8,724	416
Current tax liabilities		-	1,077
Provisions		1,273	1,703
Other - unearned revenue / income in advance		36,713	38,030
Total current liabilities		97,787	87,606
Non current liabilities			
Interest bearing liabilities		-	8,098
Provisions		236	198
Total non current liabilities		236	8,296
Total liabilities		98,023	95,902
Net assets		190,035	199,096
Equity			
Issued capital	7	231,041	230,780
Reserves	7	402	22
Accumulated losses		(41,408)	(31,706)
Total equity attributable to equity holders of the parent		190,035	199,096

Condensed consolidated interim cash flows
For the 7 months ended 31 January 2006

	Note	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
Cash Flows From Operating Activities			
Cash receipts in the course of operations		246,055	192,857
Cash payments in the course of operations		(229,155)	(175,337)
Interest (paid) / received		(65)	923
Income taxes paid		(1,691)	(5,536)
Net cash provided by operating activities		15,144	12,907
Cash Flows From Investing Activities			
Payments for property, plant & equipment		(652)	(775)
Deposit for equity investments and costs of acquisition		-	(15,397)
Security deposit payments		(553)	-
Net cash used in investing activities		(1,205)	(16,172)
Cash Flows from Financing Activities			
Repayment of borrowings		(266)	(374)
Dividends paid	7	(8,294)	(5,880)
Loans advanced to related parties	10	(3,730)	-
Net cash used in financing activities		(12,290)	(6,254)
Net increase / (decrease) in cash held		1,649	(9,519)
Cash and cash equivalents at the beginning of the interim period		13,879	28,649
Effect on exchange rate fluctuations on cash held		(15)	(5)
Cash and cash equivalents at the end of the interim period		15,513	19,125

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies

B Digital Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the seven months ended 31 January 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The condensed consolidated interim financial report was authorised for issue by the directors on 30 March 2006.

a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The interim financial report of the consolidated entity also complies with IFRS interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 First time adoption of Australian equivalents to International Financial Reporting Standards. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjuction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRS. This report must also be read in conjunction with any public announcements made by B Digital Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 12 This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP to those reported for those periods under AIFRS.

b) Basis of Preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective at the consolidated entity's first AIFRS annual reporting date, 31 July 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 31 July 2006.

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

b) Basis of Preparation (continued)

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 31 July 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 31 July 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards - AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 12. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

The consolidated entity has an operating cycle of 24 months and has classified operating assets and liabilities as current and non current on this basis.

B Digital Limited has aligned its reporting dates with its ultimate parent entity, SP Telemedia Limited, pursuant to subsection 340 (1) of the Corporations Act 2001. Accordingly, this interim financial report is for the seven months ended 31 January 2006. The comparative period income statement is for the six months ended 31 December 2004.

Controlled entities

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the Consolidated entity").

Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where an entity either began or ceased to be controlled during the period, the results are included only from the date control commenced or up to the date control ceased.

Joint Ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled entities

In the condensed consolidated interim financial report, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the condensed consolidated interim income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and loses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts.

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

c) Basis of Consolidation (continued)
Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

d) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which the exchange rates change.

e) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy j).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The residual value, if not insignificant, is reassessed annually. Leasehold improvements are depreciated at a rate of 13% and plant and equipment is depreciated at rates between 13% and 27%.

f) Intangible Assets

Goodwill

Business combinations prior to 1 July 2004
Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 July 2004 (see note 12).

Business combinations since 1 July 2004
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy j). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

f) Intangible Assets (continued)
Capitalised subscriber costs
Capitalised subscriber costs comprising dealer connection commissions, fullfillment costs and sims are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet date.

g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy j).

h) Inventories

Inventories are carried out at the lower of cost and net realisable value.

Net realisable value is determined on the basis of each inventory lines normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value.

i) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less.

j) Impairment

The carrying amounts of the consolidated entity's assets, inventories (see accounting policy h), other than deferred tax assets (see accounting policy p), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset of its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 July 2004, the date of transition to AIFRSs, even though no indication of impairment existed.

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

j) Impairment (continued)
Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Receivables that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

k) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to original recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

l) Employee benefits

Wages, salaries and annual leave
The provisions for employee benefits to wages, salaries and annual leave represents the amounts which the Company and consolidated entity has a present obligation to pay resulting from employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay including related on-costs, such as worker's compensation insurance and payroll tax.

Long service leave
The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the reporting date.

In determining the provision for employee benefits, consideration has been given to future increases in wage and salary rates and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Executive share option plan
The Company has offered options under an executive and employee share option plan. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is related to market performance hurdles.

Profit share and bonus plan
A liability is recognised for profit sharing and bonus plans ('Plan') in accordance with the formally Documented Plan. The benefit calculations are documented and determined before signing the financial report.

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

l) Employee benefits (continued)

Superannuation plan

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense on an accruals basis.

m) Provisions

A provision is recognised when an equitable legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Clawback

A provision for clawback is recognised when it is probable that an outflow of economic benefits will be required to settle the early termination penalty from the Network Provider for customers.

Unexpired airtime

A provision for unexpired airtime is recognised when the Company and consolidated entity is contractually committed to provide future airtime as an incentive to retain the customers for a further contract term.

Customer loyalty program

A provision for the customer loyalty program is recognised when it is probable that an outflow of economic benefits will be required to settle the expected loyalty program obligations.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

n) Revenue

Services revenue

Revenue from the provision of telecommunication services includes access to the mobile network, telephone calls, connection and retention commission and other services. Connection and retention commissions are recognised on a straight-line basis over the specified contract period. These are received at the time of connection or retention of a customer. These are deferred and amortised over the contract term. Airtime and access fee revenues are recognised when the fee in respect of the services is earned.

Sale of goods

Revenue from the sale of equipment and handsets is recognised in the income statement (net of rebates, returns, discounts and other allowances) when the significant risks and rewards of ownership have been transferred to the customer, which is ordinarily when the equipment and handset is delivered to the customer. Where the sale is settled through installments, interest revenue is recognised over the contract term, using the effective interest method.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Income in advance

Income in advance represents customer access fees invoiced that are not earned at the reporting date. Access fees are normally invoiced to customers one month in advance. This is taken to revenue in the month to which the access fees relate.

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

o) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

p) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

q) Segment Reporting

The consolidated entity operates primarily in one business segment (telecommunications) and one geographic segment (Australia).

Notes to the condensed consolidated interim financial statements
Note 1 - Significant accounting policies (continued)

r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the Australian Tax Office ('ATO'). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

s) Payables

Trade and other payables are stated at cost.

Notes to the condensed consolidated interim financial statements
Note 2 - Revenue

	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
Revenue from Ordinary Activities		
Service fees	171,013	147,345
Sale of goods	26,633	20,679
Other revenue	3,765	3,022
Total Revenue	**201,411**	**171,046**

Note 3 - Expenses

	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
Expenses from Ordinary Activities		
Airtime and service expenses	103,401	85,725
Acquisition & retention cost of sales	18,815	16,489
Cost of goods sold	27,769	21,319
Total cost of sales	**149,985**	**123,533**
Operating costs		
Marketing costs	8,980	6,892
Servicing costs	11,643	6,861
Staff costs	17,115	14,641
Asset expenses	1,312	763
Travel & entertainment	177	226
Communications	1,452	988
Contract & professional expenses	1,730	1,590
Office expenses	293	249
Other expenses	2,355	275
Depreciation - plant and equipment	914	1,586
Amortisation	371	-
Total operating costs	**46,342**	**34,071**
Total expenses from operating activities	**196,327**	**157,604**

Notes to the condensed consolidated interim financial statements
Note 3 - Expenses (Continued)

Material items of expense

Profit from continuing activities before income tax expense includes the following items of expense whose disclosure is relevant in explaining the financial performance of the consolidated entity:

		$'000
Redundancy costs from group restructure	(i)	729
Assets written off relating to a prior period, now not considered recoverable		1,333
Writedown in investment and loans and receivables in B Shop	(ii)	7,173
		9,235

(i) Refer note 8

(ii) Includes full writedown of carrying value of equity investment in B Shop of $4.3 million and provision for amounts due from B Shop with respect to loans, advances and inventory sales of $2.9 million. The $4.3 million writedown is recognised through the share of loss of associated entities (refer note 4).

Note 4 - Associates and Joint Ventures

The consolidated entity accounts for investments in joint ventures and associates using the equity method.

The consolidated entity has the following investments in joint venture entities and associates.

Name	Principal activities	Reporting date	Ordinary share ownership interest 7 months ended 31 Jan 2006 %	6 months ended 31 Dec 2004 %	Share of net (Loss) / Profit 7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
SPTCom Pty Ltd	Telecommunications	31/01/2006	50	-	(1,884)	-
B Shop Telecommunications Pty Ltd (i)	Telecommunications	31/01/2006	50	-	(4,254)	-
Kooee Pty Ltd	Telecommunications	31/01/2006	50	-	15	-
					(6,123)	-

(i) (Ceased equity accounting as the investment has been written down to nil. In addition, as set out in note 3 the consolidated entity has also fully provided for amounts due to it from B Shop with respect to loans, advances and inventory sales.

Notes to the condensed consolidated interim financial statements
Note 5 - Earnings per share

Basic earnings per share

The calculation for basic earnings per share for the seven months ended 31 January 2006 was based on the loss attributable to ordinary shareholders of $1,486,000 (six months ended 31 December 2004: profit $11,392,000) and a weighted average number of ordinary shares outstanding during the seven months ended 31 January 2006 of 828,933,000 (six months ended 31 December 2004: 588,025,000), calculated as follows:

(Loss) / Profit attributable to ordinary shareholders
For the seven months ended 31 January 2006

	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
(Loss) / Profit attributable to ordinary shareholders	(1,486)	11,392

Weighted average number of ordinary shares
For the seven months ended 31 January 2006

	7 months ended 31 Jan 2006 No. '000	6 months ended 31 Dec 2004 No. '000
Issued ordinary shares at 1 July	828,745	588,025
Effect of shares issued	188	-
Weighted average number of ordinary shares at 31 January	828,933	588,025

Diluted earnings per share

The calculation of diluted earnings per share for the seven months ended 31 January 2006 was based on the loss attributable to ordinary shareholders of $1,486,000 (six months ended 31 December 2004: profit $11,392,000) and a weighted average number of ordinary shares outstanding adjusted for the effect of share options during the seven months ended 31 January 2006 of 831,409,000 (six months ended 31 December 2004: 588,025,000), calculated as follows:

(Loss) / Profit attributable to ordinary shareholders (diluted)
For the seven months ended 31 January 2006

	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
(Loss) / Profit attributable to ordinary shareholders (diluted)	(1,486)	11,392

Weighted average number of ordinary shares (diluted)
For the seven months ended 31 January 2006

	7 months ended 31 Jan 2006 No. '000	6 months ended 31 Dec 2004 No. '000
Weighted average number of ordinary shares at 31 January	828,933	588,025
Effect of share options on issue	2,476	-
Weighted average number of ordinary shares (diluted) at 31 January	831,409	588,025

Notes to the condensed consolidated interim financial statements
Note 6 - Intangibles

The consolidated entity has the following intangible assets:

	31 Jan 2006 $'000	30 Jun 2005 $'000
Digiplus Investments Limited	53,612	53,612
Kooee Communications Pty Ltd (i)	65,255	64,455
	118,867	118,067

(i) The carrying value of goodwill relating to Kooee Communications Pty Ltd has been tested for impairment on the basis of value in use as at 31 January 2006. The goodwill for this entity has been tested using a discounted cash flow model ("DCF") based on a combination of budget, actual and forecast data reflecting future growth for four years. Subsequent cashflows are extrapolated using zero growth rate and a pre-tax discount rate of 15% has been applied.

The problems experienced with the migration of the Kooee customer base from Primus have hindered and delayed the growth of the Kooee business to date. In testing for impairment, it has been assessed that the original customer growth projections remain valid only delayed by a period of 12 to 18 months. Based on these assumptions, the DCF supports no impairment to the Kooee Communications goodwill.

Note 7 - Capital and reserves

Share capital

The consolidated entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares for the seven months ended 31 January 2006.

Ordinary shares	31 Jan 2006 No. '000	31 Jan 2006 $'000	30 Jun 2005 No. '000	30 Jun 2005 $'000
Balance at the beginning of period	828,746	230,780	588,025	138,331
Shares issued pursuant to Shares Sale Deed with SP Telemedia	-	-	240,000	92,160
Shares issued pursuant to Executive / General Employee Share Plan	605	261	721	289
Balance at end of year	829,351	231,041	828,746	230,780

Reserves	31 Jan 2006 $'000	30 Jun 2005 $'000
Foreign currency translation reserve	22	22
Share option reserve	380	-
Balance at the end of the period	402	22

Share options reserve	31 Jan 2006 $'000	30 Jun 2005 $'000
Balance at the beginning of the period	-	-
Movement during the period	380	-
Balance at the end of the period	380	-

Refer to note 8 for details of options issued by the consolidated entity.

Dividends

The following dividends were paid by the consolidated entity.

	7 months ended 31 Jan 2006 $'000	6 months ended 31 Dec 2004 $'000
$0.01 per qualifying ordinary share (2004: $0.01)	8,294 (i)	5,880 (ii)

(i) The dividend was fully franked and paid on 13 December 2005

(ii) The dividend was fully franked and paid on 25 October 2004.

Notes to the condensed consolidated interim financial statements
Note 8 - Employee Benefits

Restructure

As part of a group restructure, several employees including three senior executives were made redundant. The cost of the restructure was $729,000 with the costs relating to the three senior executives being $600,000.

Executive share and option plan

During the financial year ended 30 June 2005, the consolidated entity established a share option plan to selected executives and employees to receive options over ordinary shares. The terms and conditions of the executive share option plan ("ESOP") and grants made during the year ended 30 June 2005 are disclosed in the most recent annual financial report.

The fair value of the ESOPs at 31 January 2006 is determined based on the Black-Scholes formula. The table below shows the assumptions used in the fair value modelling. The share options granted to the former Managing Director of the consolidated entity, Mr Peter George are shown separately.

	General Employees	Mr Peter George
Share options granted	2,259,400	1,000,000
Share options vested	2,259,400	500,000
Options expired with employee termination	217,100	-
Probability of Service hurdles being achieved (i)	90% - 100%	NA
Options exercised at 31 January 2006	104,900	500,000
Options exercisable but not exercised at 31 January 2006	680,100	NA
Calculated options exercisable at 1st service hurdle (2 years)	618,435	NA
Calculated options exercisable at 2nd service hurdle (3 years)	608,220	NA
Grant date	28/06/2005	26/04/2005
Share price (ii)	40c	44c
Strike Price (iii)	0.01c	0.01c
Risk free rate	5.1%	5.1%
Volatility	49%	49%
Fair value of options	$ 802,845	$ 220,000
Expense recognised for 7 month period ending 31 January 2006	$ 432,478	$ 220,000

The expected volatility is based on the historic volatility of shares, service and non market conditions are not taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(i) Assumes 100% retention of senior executives and staff members at both the first and second service hurdles; 95% retention of other employees at first service hurdle; 90% retention of other employees at second service hurdle

(ii) Market share price at grant date

(iii) Any options that are eligible for vesting will require the executive to pay $1 each time they exercise any number of options.

Notes to the condensed consolidated interim financial statements
Note 9 - Commitments and contingencies

There have been no material changes in contingent liabilities since the financial year ended 30 June 2005.

Note 10 - Related Parties

Advances to related parties

SPTCom
During the reporting period, the consolidated entity advanced a loan of $2.6 million to its joint venture entity SPTCom Pty Ltd bringing the total loans advanced to $6.4 million. Under the shareholder's agreement, interest is charged on the loan only to the extent that there is a difference in amounts funded by one shareholder over the other. No interest was payable in the period. The loan is repayable on demand to the consolidated entity or otherwise within 10 years of its original drawdown. The loan is recognised as a non current receivable as the consolidated entity does not anticipate calling on the loan within the next 12 months.

B Shop

During the reporting period, the consolidated entity advanced a loan of $1.13 million to its joint venture entity B Shop Telecommunications Pty Ltd. Interest is charged on the loan. The loan is repayable on demand to the consolidated entity or otherwise within 10 years of its original drawdown. The loan is recognised as a non current receivable.

B Shop Transactions

During the seven months ended 31 January 2006, B Shop Telecommunications Pty Ltd purchased handsets from the consolidated entity to the amount of $9.1 million and the consolidated entity paid connection commissions to the amount of $12.6 million to B Shop Telecommunications Pty Ltd.

Note 11 - Subsequent events

B Shop acquisition

Subsequent to the interim balance sheet date, a deed of agreement has been signed that will result in the consolidated entity acquiring the business and assets of B Shop Telecommunications Pty Ltd for a purchase consideration of $200,000 cash. The transaction involves the consolidated entity disposing of its 50% shareholding in B Shop Telecommunications Pty Ltd and acquiring the business and certain assets and liabilities formerly operated and owned by B Shop.

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs

Explanation of transition to AIFRS

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

Accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the seven months ended 31 January 2006, the comparative information for the 6 months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of the opening AIFRS balance sheet as at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening balance sheet, comparative information for the six months ended 31 December 2004 and financial statemements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Australian GAAP).

An explanation of how the transition from previous accounting GAAP to AIFRS has effected the consolidated entity's finanical position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of Equity	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS
			1-July-04			31-December-04			30-June-05	
		$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Assets										
Current Assets										
Cash assets		28,649	-	28,649	19,125	-	19,125	13,879	-	13,879
Receivables		45,205	-	45,205	37,399	-	37,399	45,258	-	45,258
Inventories		1,704	-	1,704	1,898	-	1,898	2,000	-	2,000
Intangibles - subscriber acquisition costs	(e)	-	39,241	39,241	-	36,022	36,022	-	36,686	36,686
Other		737	-	737	1,137	-	1,137	1,853	-	1,853
Total Current Assets		76,295	39,241	115,536	59,559	36,022	95,581	62,990	36,686	99,676

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

Reconciliation of Equity (continued)	Note	Previous GAAP 1-July-04 $000s	Effect of transition to AIFRS 1-July-04 $000s	AIFRS 1-July-04 $000s	Previous GAAP 31-December-04 $000s	Effect of transition to AIFRS 31-December-04 $000s	AIFRS 31-December-04 $000s	Previous GAAP 30-June-05 $000s	Effect of transition to AIFRS 30-June-05 $000s	AIFRS 30-June-05 $000s
Non Current Assets										
Receivables		-	16,771	16,771	15,824	15,963	31,787	4,540	14,692	19,232
Investments accounted for using the Equity method		-	-	-	-	-	-	45,558	771	46,329
Property, Plant & Equipment		3,667	-	3,667	2,712	-	2,712	4,222	-	4,222
Deferred Tax Asset	(g)	230	804	1,034	-	-	-	1,704	471	2,175
Intangibles	(b)	52,716	722	53,438	50,273	3,515	53,788	110,628	7,439	118,067
Other	(c) (e)	25,270	(19,449)	5,821	26,712	(21,192)	5,520	30,113	(24,816)	5,297
Total Non Current Assets		81,883	(1,152)	80,731	95,521	(1,714)	93,807	196,765	(1,443)	195,322
TOTAL ASSETS		158,178	38,089	196,267	155,080	34,308	189,388	259,755	35,243	294,998
Current Liabilities										
Payables	(e)	35,507	(199)	35,308	39,128	84	39,212	46,456	(76)	46,380
Interest bearing liabilities		446	-	446	451	-	451	416	-	416
Current tax liabilities		4,750	-	4,750	1,253	(395)	858	1,077	-	1,077
Provisions	(e)	3,868	(1,580)	2,288	3,426	(1,381)	2,045	2,664	(961)	1,703
Other - unearned revenue/income in advance	(e)	12,314	43,828	56,142	9,206	36,092	45,298	7,080	30,950	38,030
Total Current Liabilities		56,885	42,049	98,934	53,464	34,400	87,864	57,693	29,913	87,606
Non Current Liabilities										
Interest bearing liabilities		8,221	-	8,221	8,382	-	8,382	8,098	-	8,098
Deferred tax liabilities	(g)	-	-	-	-	594	594	-	-	-
Provisions		147	-	147	169	-	169	198	-	198
Other - unearned revenue/income in advance		3,784	-	3,784	1,685	-	1,685	419	(419)	-
Total Non Current Liabilities		12,152	-	12,152	10,236	594	10,830	8,715	(419)	8,296
TOTAL LIABILITIES		69,037	42,049	111,086	63,700	34,994	98,694	66,408	29,494	95,902
NET ASSETS		89,141	(3,960)	85,181	91,380	(686)	90,694	193,347	5,749	199,096
Equity										
Issued capital		138,331	-	138,331	138,331	-	138,331	230,491	289	230,780
Reserves		26	-	26	27	-	27	22	-	22
Accumulated losses	(h)	(49,216)	(3,960)	(53,176)	(46,978)	(686)	(47,664)	(37,166)	5,460	(31,706)
TOTAL EQUITY		89,141	(3,960)	85,181	91,380	(686)	90,694	193,347	5,749	199,096

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

(a) Business combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been re-stated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1 as discussed in that standard.

(b) Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to transition date, goodwill is included on the basis of its amortised cost, which represents the amount recorded under Australian GAAP, adjusted for re-classifications of other intangible assets not meeting with AIFRS recognition criteria or previously subsumed in goodwill.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and tested annually for impairment (refer (d) below for further details on impairment testing.) Goodwill is not amortised under AIFRS. As a consequence, amortisation expense for the 6 months ended 31 December 2004 of $2.7 million, and $7.3 million for the year ended 30 June 2005 has been reversed, resulting in a corresponding increase in goodwill and decrease in accumulated losses at 31 December 2004 and 30 June 2005 respectively.

Other Intangible assets

For post transition acquisitions, other identifiable intangible assets acquired have been stated at cost less accumulated amortisation and impairment losses. Intangible assets separately identified on transition to AIFRS include the acquired customer bases of $1.3 million and the entitlement to airtime commission of $0.6 million. A deferred tax liability of $0.6 million was recognised on acquisition in respect of these intangible assets with a corresponding increase in goodwill. At 30 June 2005 a deferred tax liability of $0.1 million remained in respect to these intangibles.

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

(c) Amortisation

Amortisation has been recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite life have not been subject to amortisation but tested for impairment annually. Other intangible assets have been amortised from the day they are available for use. The useful lives of intangible assets have been determined as follows:

- acquired customer bases - 7 to 14 months; and
- entitlement to airtime commission - 24 months.

The impact on the results for the consolidated entity for the year ended 30 June 2005 is to reverse goodwill amortisation of $7.3 million, and to increase amortisation expense of intangible assets of $0.4 million. The impact on the results for the consolidated entity for the 6 months ended 31 December 2004 is to reverse goodwill amortisation of $2.7 million.

(d) Impairment

Under AIFRS, the carrying amount of the consolidated entity’s non-current assets, excluding deferred tax assets, goodwill and indefinite life intangible assets have been reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill, which is not amortised under AIFRS (refer (b) above) is tested for impairment annually.

Under previous Australian GAAP the carrying amount of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of non-current assets exceeds the recoverable amount, the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

If there is any indication that an asset is impaired, the recoverable amount has been estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined.
A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash-generating unit exceeds it recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash-generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

Goodwill has been tested for impairment as at transition date, at 31 December 2004 and at 30 June 2005. No impairment loss has been identified.

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

(e) Accounting for subscriber acquisitions

(i) Commission revenue

Under AIFRS, revenue for services that are performed over a contract period are recognised on a straight-line basis over the specified contract period. Therefore activation and retention commission revenues are deferred and amortised over the contract term.

Under AGAAP activation and retention commission revenue is recognised when the fee in respect of the services is earned. This has been when the customer was activated or was retained.

(ii) Handset revenue and cost of sale

Under AIFRS multiple elements of a single transaction are separately recognised. Accordingly revenue arising from handset sales is separately recognised at the time of delivery and is measured at fair value. Where the handset sale is settled through instalments, interest revenue is recognised over the contract term. As all handset revenue is now separately recognised, all related handset costs are expensed at the time of delivery.

Under AGAAP those handsets offered as part of the total telecommunication service contract were not separately identified as a handset sale, rather the provision of the telecommunications service, inclusive of the handset, was treated as one transaction.

(iii) Subscriber acquisition costs

Under AIFRS UIG1042 Subscriber Acquisition Costs in the Telecommunication Industry specifically excludes handset costs which are now expensed as discussed above. As commission received is now separately deferred, acquisition costs are capitalised on a gross basis. Subscriber acquisition costs are classified as current assets on the balance sheet.

Under AGAAP capitalised subscriber costs include handset and other costs directly attributable to the acquisition and retention of subscriber contracts. Where costs attributable to acquisitions exceed associated revenues, costs, net of revenue, were deferred. Subscriber acquisition costs were previously classified as non current assets.

The effect on the income statement of the consolidated entity for the year ended 30 June 2005 is to increase net profit by $2.6 million, comprising decreased revenue from service fees ($17.9 million), increased revenue from handset sales ($14 million), commission revenue ($13.3 million), disconnection revenue ($0.5 million) and interest income ($1.9 million) totalling $11.8 million, and to decrease net profit by increased cost of goods sold ($10.6 million), increased airtime and services expenses ($1.1 million), marketing costs ($3.7 million) and decrease in acquisition and retention cost of sales ($6.2 million) totalling $9.2 million.

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

The effect on the income statement of the consolidated entity for the 6 months ended 31 December 2004 is to increase net profit by $1.5 million, comprising decreased revenue from service fees ($9.2 million), increased revenue from handset sales ($7.5 million), commission revenue ($7.7 million), disconnection revenue ($0.3 million) and interest income ($0.9 million) totalling $7.2 million, and to decrease net profit by increased cost of goods sold ($5.5 million), increased airtime and services expenses ($0.5 million), marketing costs ($1.9 million) and decreased acquisition and retention cost of sales ($2.2 million) totalling $5.7 million.

The effect on the consolidated entity at 1 July 2004 is to increase accumulated losses by $5.5 million, comprising increases in subscriber acquisition costs and handset receivables of $36.6 million and increased unearned income and other payables and provisions of $42.1 million

As a consequence of the above, a deferred tax asset has been recognised in relation to the deferred income. The deferred tax asset recognised at 1 July 2004 was $13.1 million, at 31 December 2004 was $10.8 million and at 30 June 2005 was $9.1 million.

Also an adjustment to the deferred tax liability relating to deferred subscriber acquisition costs has also arrisen. The impact of the above changes was to increase the deferred tax liability at 1 July 2004 by $6.1 million, at 31 December 2004 by $4.3 million and at 30 June 2005 by $3.6 million. A deferred tax liability has been recognised in relation to the upfront recognition of handset costs. The deferred tax liability recognised at 1 July 2004 was $5.0 million, at 31 December 2004 was $4.8 million and at 30 June 2005 was $4.4 million.

The effect of the re-classification of subscriber acquisition costs from non current to current assets together with the adjustments noted above is an increase in current assets of $39.2 million at 1 July 2004, $36.0 million at 31 December 2004 and $36.7 million at 30 June 2005.

(f) Share based payments

Under AIFRS, the fair value of options and shares that are equity settled have been recognised as an employee benefit expense with a corresponding increase in equity.Under current Australian GAAP no expense was recognised for options or shares that are equity settled issued to employees.

The fair value has been measured at grant / issue date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options and shares.
For the financial year ended 30 June 2005, employee benefits expense and accumulated losses are expected to increase by $0.3 million in the consolidated entity. There was no financial impact for 31 December 2004 or 1 July 2004.

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

(g) Taxation

In addition to the deferred tax adjustments described in the notes above, further adjustments arising from the adoption of AASB 112 have been made as follows:

A deferred tax liability has been brought to account in relation to loans with related parties in relation to the digiplus acquisition, with a corresponding adjustment to goodwill of $0.6 million at 1 July 2004. This has reduced to $0.5 million at 31 December 2004 and $0.4 million at 30 June 2005. A deferred tax asset has been brought to account in relation to the loss from interest in joint ventures of $0.3 million as at 30 June 2005.

The above changes increased/(decreased) deferred tax assets as follows:

	Note	1-Jul-04 $000s	31-Dec-04 $000s	30-Jun-05 $000s
Deferred income	(e)	13,128	10,807	9,139
Handset sales	(e)	(5,031)	(4,789)	(4,408)
Loans		(616)	(504)	(387)
Subscriber acquisition costs	(e)	(6,134)	(4,267)	(3,565)
Provisions	(e)	(543)	(1,841)	(528)
Investments in Joint venture entities		-	-	331
Intangible assets	(b)	-	-	(111)
		804	(594)	471

(h) Summary of impact of transition to AIFRS on accumulated losses

The impact of the above adjustments is to (increase)/decrease accumulated losses as follows:

	Note	1-Jul-04 $000s	31-Dec-04 $000s	30-Jun-05 $000s
Goodwill amortisation	(c)	-	-	7,280
Amortisation of intangible assets	(c)	-	2,793	(359)
Subscriber acquisitions and handset sales	(e)	(5,486)	(4,001)	(2,933)
Share based payments	(f)	-	-	(289)
Taxation		1,526	522	1,761
		(3,960)	(686)	5,460

Notes to the condensed consolidated interim financial statements
Note 12 - Explanation of transition to AIFRSs (continued)

(h) Summary of impact of transition to AIFRS on retained earnings (continued)

Reconciliation of Profit	Note	Previous GAAP 31-December-04 $000s	Effect of transition to AIFRS 31-December-04 $000s	AIFRS 31-December-04 $000s	Previous GAAP 30-June-05 $000s	Effect of transition to AIFRS 30-June-05 $000s	AIFRS 30-June-05 $000s
Revenue	(e)	164,810	6,236	171,046	328,560	9,879	338,439
Cost of sales	(e)	119,782	3,751	123,533	241,442	5,511	246,953
Gross Profit		45,028	2,485	47,513	87,118	4,368	91,486
Operating expenses	(b)(e)	34,919	(848)	34,071	66,535	(2,606)	63,929
Operating profit before financing costs		10,109	3,333	13,442	20,583	6,974	27,557
Financial income	(e)	944	945	1,889	1,681	1,852	3,533
Financial expenses		(676)	-	(676)	(1,460)	-	(1,460)
Share of loss of joint venture entities		-	-	-	1,601	(360)	1,241
(Loss) / Profit before tax		10,377	4,278	14,655	19,203	9,186	28,389
Income tax expense	(g)	2,259	1,004	3,263	1,272	(235)	1,037
(Loss) / Profit for the period		8,118	3,274	11,392	17,931	9,421	27,352

Directors' Declaration

In the opinion of the Directors of B Digital Limited:

(a) the financial statements and notes, set out on pages 7 to 31, 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 January 2006 and of its perfomance as represented by the results of its operations and cash flows, for the interim period ended on that date; and

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

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

Dated at Perth this 30th day of March 2006.

Signed in accordance with the resolution of the Directors.

Mr David Fairfull
Chairman

Independent review report to the members of B Digital Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the B Digital Limited Consolidated Entity ("the Consolidated Entity"), for the interim period ended 31 January 2006. The Consolidated Entity comprises B Digital Limited ("the Company") and the entities it controlled during that period.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards.*

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the interim financial report of B Digital Limited is not in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 31 January 2006 and of its performance for the interim period ended on that date; and

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

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

D McComish

D P McComish
Partner

Perth
30 March 2006