

e-business systems ltd

ACN 107 353 695

Half-year Financial Report

Period ended 31 December 2008

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Directors' Report

Directors

The directors present their report for the six-month period ended 31 December 2008.

The names of the persons who have held office as directors during or since the end of the period are:

- Ray Soper – *resigned on 31 December 2008*
- Russell Krause
- David Glavonjic
- Agim Isai – *appointed on 11 November 2008*
- Jeremy Martineau – *resigned on 11 November 2008*

Ray Soper, Russell Krause and David Glavonjic held office as directors throughout the period.

Review of Operations

The net loss after tax of the consolidated entity for the period ended 31 December 2008 was \$(296,511) (2007: \$470,495 net profit).

Significant Changes in State of Affairs

Significant operational changes arose during the period in the state of affairs of the company as a result of the merger transaction referred to below.

During the period the company agreed and subsequently completed the merger with Corpnet (Australia) Pty Ltd. This took place on 11 November consequent upon shareholder approval at the AGM held on that date. Since then group operations have been conducted through Corpnet (Australia) Pty Ltd and Spheritec Pty Ltd – SafeWorld Australia & New Zealand Pty Ltd does not currently have any business operations. Details of the merger were provided to shareholders in the circular dated 10 October 2008.

In accordance with accounting requirements the combination has been accounted for as a reverse acquisition as if Corpnet (Australia) Pty Ltd had acquired the whole of the issued share capital of e-Business Systems Ltd. Although this half-year financial report has been issued in the name of the legal parent – ie e-Business Systems Ltd - the activities of the group are principally a continuation of those of the legal subsidiary, Corpnet (Australia) Pty Ltd, because on completion of the transaction the former shareholders in that company came to hold the majority of the issued share capital of the legal parent.

Principal Activities

The principal activity of the consolidated entity during the period (in addition to the merger referred to above) was the provision of a range of independent business technology management and technical consulting services to both enterprise customers and SMBs across various business sectors.

Since the merger Corpnet (Australia) Pty Ltd and Spheritec Pty Ltd have continued to operate separately although various initiatives have been undertaken to rationalise costs that were previously duplicated. Towards the end of the period there was a sharp deterioration in the general business environment which has had an inevitable impact on operations. This trend (stemming from the current global financial crisis and a consequent steep drop in general business confidence) has persisted since the end of the period and has resulted in business conditions that are extremely challenging.

Management have responded by redoubling efforts to retain current business coming up for renewal, by making significant changes to the sales function, and generally by cutting costs wherever practicable consistent with maintaining the operational fabric of the business. This has been led by senior members of the management team who have themselves accepted reductions in pay as a demonstration to staff of their own commitment.

The company is actively seeking further suitable transaction opportunities as advised in the merger circular and has recently appointed merger brokers (on a contingency fee arrangement) with this in mind.

Auditors' Declaration

The auditors independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half-year ended 31 December, 2008.

This report is signed in accordance with a resolution of the board of directors

A handwritten signature in black ink, appearing to read 'Russell Krause', with a stylized, cursive script.

Russell Krause
Acting chairman

16 March 2009

Auditors' Independence Declaration



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of e-Business Systems Ltd for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of e-Business Systems Ltd and the entities it controlled during the half year.

A handwritten signature in black ink that reads 'PKF'.

PKF

A handwritten signature in black ink that appears to read 'A. Loots'.

Albert Loots
Partner

Dated at Brisbane this 16th day of March 2009

Condensed Income Statement

Condensed Income statement for the period of six months ended 31 December 2008

	Consolidated	
	Dec 2008	Dec 2007
	\$	\$
Revenue		
Normal income	7,272,894	7,647,626
Other income	169,703	167,340
Interest	26,562	13,244
Expenses		
Cost of goods sold	5,710,180	5,655,369
General administration	495,007	447,357
Rental of equipment	50,958	37,236
Sales & marketing	1,143,399	955,058
Management	228,362	166,577
Other expenses	137,764	95,578
Profit/(loss) before income tax expense	(296,511)	470,495
Income tax benefit/(expense)	-	-
Profit/(loss) from continuing operations	(296,511)	470,495

Overall Operations

	Consolidated	
	Dec 2008	Dec 2007
	\$	\$
Basic earnings per share	(0.0043)	(0.0072)
Diluted earnings per share	(0.0043)	(0.0072)

The above condensed income statement should be read in conjunction with the accompanying notes.

Condensed Balance Sheet

Condensed balance sheet as at 31 December 2008

	Consolidated	
	Dec 2008	June 2008
	\$	\$
Current Assets		
Cash & cash equivalents	693,018	846,510
Trade & other receivables	2,000,195	2,959,280
Inventories	89,094	160,894
Other	105,194	31,920
Total current assets	<u>2,887,501</u>	<u>3,998,604</u>
Non-Current Assets		
Property, plant & equipment	174,829	125,704
Intangible assets	1,386,001	11,552
Total non-current assets	<u>1,560,830</u>	<u>137,256</u>
Total assets	<u>4,448,331</u>	<u>4,135,860</u>
Current Liabilities		
Trade & other payables	2,026,091	2,394,311
Financial liabilities	209,000	428,981
Provisions	236,258	386,540
Total current liabilities	<u>2,471,349</u>	<u>3,209,832</u>
Total liabilities	<u>2,471,349</u>	<u>3,209,832</u>
NET ASSETS	<u>1,976,982</u>	<u>926,028</u>
EQUITY		
Share capital	1,373,265	1,800
Accumulated profits (losses)	<u>603,717</u>	<u>924,228</u>
TOTAL EQUITY	<u>1,976,982</u>	<u>926,028</u>

The above condensed balance sheet should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

Condensed statement of cash flows for the period of six months ended 31 December 2008

	Consolidated Dec 2008 \$	Dec 2007 \$
Cash Flows From Operating Activities		
Payments to suppliers & employees	(8,714,550)	(6,847,303)
Receipts from customers	8,484,703	6,898,900
Interest received	26,436	11,428
GST recovered/ (paid)	(55,230)	6,114
Net cash provided by operating activities	(258,641)	69,138
Cash Flows From Investing Activities		
Payments for plant & equipment	(81,007)	(24,393)
Payment for intangibles	(1,370,309)	-
Net cash provided by/(used in) investing activities	(1,451,316)	(24,393)
Cash Flows from Financing Activities		
Repayment from borrowings	209,000	(6,953)
Payment of dividends	(24,000)	(106,000)
Proceeds from share issue	1,371,465	-
Net cash provided by/(used in) financing activities	1,556,465	(112,953)
Net increase/(decrease) in cash held	(153,492)	(68,208)
Cash at beginning of financial period	846,510	410,041
CASH AT THE END OF THE FINANCIAL PERIOD	693,018	341,833

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity

Condensed statement of changes in equity as at 31 December 2008

Consolidated

December 2008	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the period	1,800	924,228	926,028
Shares issued during the period – acquisition of Corpnet	1,053,465	-	1,053,465
Shares issued during the period – capitalisation of debt	318,000	-	318,000
Profit (loss) for period	-	(296,511)	(296,511)
Dividends		(24,000)	(24,000)
Total equity at the end of the period	1,373,265	603,717	1,976,982

December 2007	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the period	150	533,336	533,486
Shares issued during the period	-	-	-
Profit (loss) for period	-	470,495	470,495
Total equity at the end of the period	150	1003,831	1,003,981

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to Financial Statements

These notes relate to and form part of the unaudited financial statements for the period of six months ended 31 December 2008

1. BASIS OF PREPARATION

This half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 and is to be read in conjunction with the annual financial report for the year ended 30 June 2008. It is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRS (AIFRS) ensures that the financial report (comprising the group's financial statements and notes) complies, where applicable, with IFRSs.

Notes of a type normally included in an annual financial report are not included.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2008.

2. SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2008	Dec 2008	Dec 2007	Dec 2007
	Shares	\$	Shares	\$
Fully paid ordinary shares at 1 July	50,399,450	8,689,504	150	150
Shares issued for capitalisation of debt – 3,180,000	3,180,000	318,000	-	-
Shares issued as consideration for acquisition of Corpnet - 262,192,494	262,192,494	1,055,265	-	-
Shares issued in exchange for options – 3,975,000	3,975,000		-	-
Share adjustment to account for 1-for-4 share consolidation	239,810,208	8,689,504	-	-
Total fully paid ordinary shares at 31 December	79,936,736	1,373,265	150	150

3. DIVIDENDS

During the period an interim dividend of \$24,000 (fully franked at the rate of 30%) was paid by Corpnet (Australia) Pty Ltd before completion of the merger with e-Business Systems Ltd. No other dividend was paid either by Corpnet (Australia) Pty Ltd or by e-Business Systems Ltd.

4. MERGER TRANSACTION WITH CORPNET (AUSTRALIA) PTY LTD

During the period the company agreed and subsequently completed the merger with Corpnet (Australia) Pty Ltd. This took place on 11 November 2008 consequent upon shareholder approval at the AGM held on that date. Corpnet (Australia) Pty Ltd accordingly became a controlled entity and wholly-owned subsidiary of e-Business Systems Ltd on 11 November 2008. Details of the merger were provided to shareholders in the merger circular dated 10 October 2008.

The combination has been accounted for as a reverse acquisition as if Corpnet (Australia) Pty Ltd had acquired the whole of the issued share capital of e-Business Systems Ltd. Although this half-year financial report has been issued in the name of the legal parent – ie e-Business Systems Ltd - the activities of the group are principally a continuation of those of the legal subsidiary, Corpnet (Australia) Pty Ltd, because on completion of the transaction the former shareholders in that company came to hold the majority (82%) of the issued ordinary share capital of the legal parent.

The terms of the merger transaction involved the issue by e-Business Systems Ltd of fully paid ordinary shares to the former shareholders in Corpnet (Australia) Pty Ltd as consideration. The ordinary share capital of e-Business Systems Ltd (including the consideration shares so issued) was then consolidated on a one-for-four basis such that the number of consideration shares issued by e-Business Systems Ltd became, and is still, 65,548,124 ordinary shares. The effect of the merger transaction is such that, under accounting rules, it is required to be shown as a reverse acquisition as if the acquirer had been Corpnet (Australia) Pty Ltd rather than e-Business Systems Ltd. The value of the consideration shares for the purpose of the merger was \$1,053,465.

At the time of the merger transaction the net fair value of the identifiable assets and liabilities of e-Business Systems Ltd was \$1,053,465. Its assets and liabilities were, in summary, made up as follows:

○ assets	\$1,292,608
○ liabilities	\$239,144
○ net assets	\$1,053,465

No other merger or acquisition, and no disposal, was entered into or completed by the company during the period.

5. EVENTS SUBSEQUENT TO BALANCE DATE

There are no significant matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

6. SEGMENT REPORTING

The consolidated entity operates in one business segment being provision of software development and IT infrastructure support services, and predominantly in one geographical segment, being Australia.

7. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

Directors' Declaration

The directors of e-Business Systems Ltd declare that they are of the opinion that:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including that they:
 - (i) comply with accounting standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December, 2008 and the performance for the half year ended on that date.
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors

On behalf of the directors



Russell Krause
Acting chairman

Melbourne - 16 March 2009

Independent Auditors' Review Report



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of e-Business Systems Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of e-Business Systems Ltd, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

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

Conclusion

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

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

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



PKF



Albert Loots
Partner

Dated at Brisbane this 16th day of March 2009