

e-business systems ltd

ACN 107 353 695

Half-year Financial Report

Period ended 31 December 2009

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Directors' Report

Directors

The directors present their report for the six-month period ended 31 December 2009.

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

- o Russell Krause
- o David Glavonjic
- o Agim Isai
- o Geoff Marshall – *appointed on 11 January 2010*

Russell Krause, David Glavonjic and Agim Isai held office as directors throughout the period.

Review of Operations

The net profit after tax of the consolidated entity for the period ended 31 December 2009 was \$276,796 (2008: \$296,511 net loss).

Trading performance improved significantly during the period in line with the general improvement in business conditions within the wider economy. So far as the company itself is concerned, business conditions have held up since the end of the period, although management continues to monitor market conditions closely for any possible sign of deterioration.

The company is proceeding with initiatives previously announced (including continuing development of virtualisation services) and continues to actively seek suitable acquisition opportunities consistent with its stated policy.

Significant Changes in State of Affairs

There were no significant operational changes that arose during the period in the state of affairs of the company.

Principal Activities

The principal activity of the consolidated entity during the period 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.

Auditors' Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2009. This report is signed in accordance with a resolution of the board of directors.



Russell Krause
Acting chairman

26 February 2010

Auditor's Independence Declaration

As lead auditor for the review of e-Business Systems Ltd for the half year ended 31 December 2009, 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.



PKF



Albert Loots
Partner

Dated at Brisbane this 26th day of February 2010

Condensed Statement of Comprehensive Income

Condensed Statement of Comprehensive Income for the period of six months ended 31 December 2009

	Consolidated Dec 2009 \$	Dec 2008 \$
Revenue	9,221,996	7,469,159
Expenses		
Cost of goods sold	(6,955,818)	(5,699,341)
Administration expenses	(375,723)	(325,149)
Employee benefit expenses	(1,363,531)	(1,601,738)
Marketing expenses	(62,671)	(11,462)
Leasing expenses	(139,285)	(100,896)
Depreciation expenses	(46,928)	(27,084)
Finance costs expense	(11,790)	-
Profit/(loss) before income tax expense	266,250	(296,511)
Income tax benefit/(expense)	10,546	-
Profit/(loss) from continuing operations	276,796	(296,511)
Other comprehensive income	-	-
Total comprehensive income for the period	276,796	(296,511)

Overall Operations

Basic earnings per share (cents per share)	0.35	(0.43)
Diluted earnings per share (cents per share)	0.35	(0.43)

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

Condensed Balance Sheet

Condensed balance sheet as at 31 December 2009

	Consolidated	
	Dec 2009	June 2009
	\$	\$
Current Assets		
Cash & cash equivalents	1,074,401	637,519
Trade & other receivables	2,210,890	1,460,759
Inventories	558,489	135,832
Income tax receivable	51,764	-
Other	85,343	46,080
Total current assets	3,980,887	2,280,190
Non-Current Assets		
Property, plant & equipment	190,712	157,526
Intangible assets	413,582	292,444
Deferred tax assets	196,569	186,023
Total non-current assets	800,863	635,993
Total assets	4,781,750	2,916,183
Current Liabilities		
Trade & other payables	3,221,586	1,796,627
Interest bearing loans and borrowings	121,946	84,853
Provisions	260,957	195,776
Total current liabilities	3,604,489	2,077,256
Non-Current Liabilities		
Interest bearing loans and borrowings	207,952	146,414
Total non-current liabilities	207,952	146,414
Total liabilities	3,812,441	2,223,670
NET ASSETS	969,309	692,513
EQUITY		
Share capital	1,373,265	1,373,265
Accumulated profits (losses)	(403,956)	(680,752)
TOTAL EQUITY	969,309	692,513

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 2009

	Consolidated	
	Dec 2009	Dec 2008
	\$	\$
Cash Flows From Operating Activities		
Payments to suppliers & employees	(7,880,884)	(8,769,780)
Receipts from customers	8,481,112	8,484,703
Interest received	2,829	26,436
Finance costs paid	(11,790)	-
Income tax paid	(51,764)	-
Net cash provided by operating activities	539,503	(258,641)
Cash Flows From Investing Activities		
Payments for plant & equipment	(43,586)	(79,851)
Net cash provided by/(used in) investing activities	(43,586)	(79,851)
Cash Flows from Financing Activities		
Proceeds/(Repayment) from borrowings	(59,035)	209,000
Payment of dividends	-	(24,000)
Net cash provided by/(used in) financing activities	(59,035)	185,000
Net increase/(decrease) in cash held	436,882	(153,492)
Cash at beginning of financial period	637,519	846,510
CASH AT THE END OF THE FINANCIAL PERIOD	1,074,401	693,018

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 2009

Consolidated

December 2009	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the period	1,373,265	(680,752)	692,513
Profit (loss) for period	-	276,796	276,796
Total equity at the end of the period	1,373,265	(403,956)	969,309

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

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

Notes to Financial Statements

BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by e-Business Systems Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial statements have been prepared using the same accounting policies and methods of computation as used in the annual financial statements for the year ended 30 June 2009.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

1. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously 'minority interests'), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 101 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The consolidated entity has elected to present one statement.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the 'cost method' making the distinction between pre- and post-acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the consolidated entity. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the consolidated group.

Notes to Financial Statements

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Annual Improvements Project

In May 2008 and April 2009 the AASB issued omnibus of amendments to its standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the consolidated entity.

3. SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2009	Dec 2009	Dec 2008	Dec 2008
	Shares	\$	Shares	\$
Fully paid ordinary shares at 1 July	79,936,736	1,373,265	50,399,450	8,689,504
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	79,936,736	1,373,265

4. DIVIDENDS

During the prior 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.

5. EVENTS SUBSEQUENT TO BALANCE DATE

The tax balances in the accounts have been prepared on the basis that Corpnet and its subsidiaries will form a tax consolidated group with effect from 11 November 2008, being the merger date. However, Corpnet (Australia) Pty Ltd has not yet lodged with the Australian Taxation Office an election to form a tax consolidated group and is still reviewing the impacts of forming such a group. Therefore, the full financial impact of tax consolidation has not been recognised as at 31 December 2009.

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.

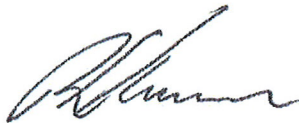
Directors' Declaration

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 2009 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 – 26 February 2010



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of e-Business Systems Ltd

Report on the 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 2009, and the Condensed Statement of Comprehensive income, condensed statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, and other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Director's Responsibility for the Half-Year Financial Report

The directors of e-Business Systems Ltd 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 2009 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 review of the half-year 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.

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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 2009 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*.

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A handwritten signature in black ink, appearing to read 'ALLOOTS'.

Albert Loots
Partner

Dated at Brisbane this 26th day of February 2010