

e-business systems Ltd

ACN 107 353 695

Annual Financial Report

Year ended 30 June 2010

CORPORATE INFORMATION

DIRECTORS

Geoff Marshall (Non-executive Chairman)

Agim Isai (Group Managing Director)

Paul Lynch (Non-executive director – *appointed with effect from 8 September 2010*)

David G (resigned 30 April 2010)

Russell C (resigned 31 July 2010)

COMPANY SECRETARY

Jeremy Martineau

REGISTERED OFFICE & PRINCIPAL BUSINESS OFFICE

365 Montague Road

West End

Queensland, 4101

COUNTRY OF INCORPORATION

Australia

STOCK EXCHANGE LISTING

National Stock Exchange of Australia Limited

NSX Code: EBS

INTERNET ADDRESS

www.ebusinesssystems.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 33 107 353 695

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DIRECTORS' REPORT INCLUDING REMUNERATION REPORT

Your Directors present their report on the Consolidated Entity consisting of E-Business Systems Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The following persons were directors of e-Business Systems Ltd during the whole of the financial year, and up to the date of this report, unless stated:

Geoff Marshall (Non-executive Chairman)

Appointed 11 January 2010

Geoff has over twenty years' corporate experience in Australia, Europe and North America working with organisations including Philips Electronics, British Airways Engineering and Compaq Computers. He has worked with many private and public companies, focusing on business improvement, strategy, financial and business development and growth areas. He is a former partner with Price Waterhouse and has held CEO and general management positions with Healthcare of Australia, Rothmans Holdings and Orica. In addition to EBS Geoff is also a director of Zap Technologies Limited, 4impact Pty Ltd and Peak3 Pty Ltd.

Agim Isai (Group Managing director)

Having worked in the IT industry for more than fifteen years, Agim was one of the founding members of Corpnet Computer Solutions (a predecessor of the company's wholly-owned subsidiary Corpnet (Australia) Pty Ltd) in 1997. He has a diverse range of managerial experience across project management, operations, sales and marketing and has held the position of managing director at Corpnet (Australia) Pty Ltd since November 2004. He was appointed to the board as group managing director on completion of the merger with Corpnet (Australia) Pty Ltd. Agim holds affiliations with the Australian Institute of Project Management and the Australian Institute of Company Directors.

Russell Krause (Non-executive director & acting chairman)

Resigned 30 April 2010

Russell is a consultant stockbroker advising on initial public offerings, capital raising, acquisitions and divestments, and restructuring. During his career he has held senior positions with the stockbroking firms of Ord Minnett, ANZ Macaughan, Bankers Trust Australia, and HP JDV Ltd. His stockbroking experience includes directorships and board positions, participation in and chairmanship of underwriting and risk committees, acting as divisional head of private client business, and senior investment banking positions with responsibility for institutional banking, corporate finance and research. He also has international experience overseeing the establishment and development of margin lending businesses.

David Glavonjic (Non-executive director)

Resigned 31 July 2010

David's executive experience in the IT and communications sectors spans a period of more than twenty-five years - the majority of them as chief executive or in positions of equivalent responsibility. He has a track record of demonstrable achievement as a professional manager in creating shareholder value, in bringing new technologies to market, and in the conception, creation and management of profitable commercial businesses. He initially qualified as an accountant before embarking on a professional management career during which he has held a variety of management positions within the IT and communications sector. His early professional experience was gained with the CSIRO (Commonwealth Scientific and Industrial Research Organisation) where his interest in both innovation and technology was first stimulated. At Connect Internet Solutions (a subsidiary of AAPT) he held the positions of chief executive and managing director, both before and after the acquisition of AAPT by Telecom New Zealand, and was responsible for its successful integration within the Telecom New Zealand Group. In this role he further developed his specific expertise in e-business. His executive experience includes not only technology commercialisation and business operations but formulation of strategy and negotiation of business partnerships and alliances. He is a member of the Australian Institute of Company Directors and a director of M2M Corporation Ltd.

Paul Lynch (Non-executive director)

Appointed 8 September 2010

Paul has valuable experience in both senior executive and consultancy capacities in the development and execution of business strategy and in achieving an optimum balance of short-term tactical considerations in strategic decision-making and the implementation of business strategy.

In his former role as executive general manager at Suncorp responsible for the integration of Promina, following their merger in a transaction valued at over \$7b, he successfully led the team that delivered over \$350m of merger benefits ahead of time. His executive experience and his pragmatic approach to 'getting the job done' subsequently led him to establish his own consultancy practice, Tough Problem Consulting, which provides a range of consulting and coaching services to corporate and privately-owned clients. Consultancy advice extends to the development of strategy, tactical agility, project execution, accountability for financial performance, leadership, cultural change, and continuous improvement.

COMPANY SECRETARY

Jeremy Martineau

Jeremy has been the company secretary of e-Business Systems Ltd, and the entities it controlled, throughout the year and until the date of this report. He has a background in law and, though no longer practising, remains on the register in both the UK and Australia. Throughout his career he has specialised in company transactional work where he has experience in both project-management and advisory capacities. In Australia he was in legal practice with McCullough Robertson in Brisbane and subsequently worked in a lead advisory capacity with PricewaterhouseCoopers, in their corporate finance & investment banking practice, where he was involved in initiating, structuring and managing a number of transactions (equity investments and company sales) to successful completion. He holds a diploma in entrepreneurship studies and is a member of the Australian Institute of Company Directors.

Interests in Shares & Options of the Consolidated Entity

As at the date of this report, the interests of the directors, and those who served as directors during the year, in the shares and options of e-Business Systems Ltd (including in shares held by their respective related entities within the meaning of section 9 of the Corporations Act) are shown in the table below:

Director	Fully Paid Ordinary Shares	Converting Performance Shares	Unlisted Options
Geoff Marshall	nil	nil	nil
Agim Isai	19,882,931	nil	nil
Paul Lynch	nil	nil	nil
Russell Krause	964,167	2,066,505	Nil
David Glavonjic	2,727,099	5,637,939	nil

PRINCIPAL ACTIVITY

The principal activity of the consolidated entity during the year 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.

There were no significant changes in the nature of the consolidated entity's principal activities during the financial period.

REVIEW & RESULTS OF OPERATIONS

The net profit after tax of the consolidated entity for the period ended 30 June 2010 was \$226,040 (2009: loss of \$1,580,980).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2009: \$24,000).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity.

AFTER BALANCE DATE EVENTS

There are no significant matters or circumstances that have arisen since the end of the financial period (apart from board changes involving the resignation of David Glavonjic and the appointment of Paul Lynch) 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.

FUTURE DEVELOPMENTS, PROSPECTS & BUSINESS STRATEGIES

There are no developments of which the directors are aware which could be expected to affect the results of the consolidated entity's operations in subsequent financial years other than information which the directors believe comment on or disclosure of, would prejudice the interests of the consolidated entity.

ENVIRONMENTAL ISSUES

There has been no matter either during or since the end of the financial period which in the opinion of the directors would give rise to any conflict with the provisions of existing environmental regulation.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	
	A	B
Geoff Marshall	6	6
Agim Isai	12	12
Russell Krause	7	10
David Glavonjic	10	12
A	Number of meetings attended	
B	Number of meetings held during the time the director held office during the year	

OPTIONS

As at 30 June 2010 the following options were on issue:

Number of Options	Exercise Price	Expiry Date
293,750	\$0.60	30/06/10
1,338,194	\$0.80	30/06/10

These options all expired at the end of the financial year (as indicated) without being exercised.

During the year ended 30 June 2010 no shares were issued following the exercise of options.

REMUNERATION REPORT

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the Company.

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

Remuneration Committee

The board does not have a remuneration and nomination committee. The full board is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Such officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the company.

Remuneration Structure

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and other key management personnel fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the board considers the nature and amount of executive directors' and officers' emoluments alongside the company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key executives, the attraction of quality management to the company and performance incentives which allow executives to share the rewards of the success of the company.

In accordance with best practice corporate governance, the structure of executive and non-executive director remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

If a non-executive director performs extra services, which in the opinion of the directors are outside the scope of the ordinary duties of the director, the company may remunerate that Director by payment of a

fixed sum determined by the directors in addition to or instead of the remuneration referred to above. Non-executive directors are entitled to be paid travel and other expenses properly incurred by them in attending directors' or general meetings of the company or otherwise in connection with the business of the company.

The remuneration of non-executive directors for the year ended 30 June 2010 is detailed in this remuneration report.

Executive Directors & Senior Management Remuneration

The company aims to reward executive directors and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

The remuneration of the executive directors and senior management may be fixed by the board from time to time. As noted above, the board's policy is to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the board, and the process consists of a review of company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of the company and the performance of the individual during the year.

The remuneration of the executive directors and senior management for the period ended 30 June 2010 is detailed in this remuneration report.

(a) Details of Directors & Other Key Management Personnel During the 2010 Financial Year

Directors

Geoff Marshall	Non-Executive Chairman (appointed 11 January 2010)
Agim Isai	Group Managing Director
Russell Krause	Non-Executive Director (resigned 30 April 2010)
David Glavonjic	Non-Executive Director (resigned 31 July 2010)

Key Management Personnel

Scott Hartwell	Chief Financial Officer
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(b) Remuneration of Directors & Other Key Management Personnel

The key management personnel are also the five most highly paid executive officers of the consolidated entity for the year ended 30 June 2010.

2010	Short-term			Long-term		Equity	Total	Performance Related %	% consist-ing of equity
	Base Salary & fees	Cash bonus	Non-cash benefits	Superan-nuation	Retire-ment benefits	Shares			
Directors	\$	\$	\$	\$	\$	\$	\$		
Geoff Marshall	24,233	-	-	-	-	-	24,233	-	-
Agim Isai (Managing Director)	261,209	-	-	23,750	-	-	284,959	-	-
Russell Krause	36,300	-	-	-	-	-	36,300	-	-
David Glavonjic	-	-	-	3,195	-	39,000	42,195	-	92.4%

Key Management Personnel									
Scott Hartwell	184,005	-	-	16,561	-	-	200,566	-	-
	505,747	-	-	43,506	-	39,000	588,253	-	-

2009	Short-term			Long-term		Equity	Total	Perform- ance Related %	% consist- ing of equity
	Base Salary & fees	Cash bonus	Non- cash benefits	Superan- nuation	Retire- ment benefits	Shares			
Directors	\$	\$	\$	\$	\$	\$	\$		
Ray Soper	-	-	-	-	-	-	-	-	-
David Glavonjic	107,939	-	-	1,890	-	-	109,829	-	-
Agim Isai (Managing Director)	244,883	-	-	20,251	-	-	265,134	-	-
Russell Krause	33,000	-	-	2,970	-	-	35,970	-	-
Jeremy Martineau	77,712	-	-	-	-	-	77,712	-	-
Key Management Personnel									
Scott Hartwell	52,286	-	-	5,246	-	-	57,532	-	-
	515,820	-	-	30,357			546,177		

(c) Shares Granted During the Year Ended 30 June 2010

Details of ordinary shares in the Company that were granted as compensation to directors and key management personnel during the reporting period are as follows:

	Grant date	Grant nos	Share Fair value at grant date \$	Total Value of Shares \$
Directors				
David Glavonjic	13/1/2010	886,364	0.044	39,000

No remuneration options have been granted during the financial year.

INDEMNIFICATION & INSURANCE OF DIRECTORS, OFFICERS & AUDITOR

Each director and the company secretary of the consolidated entity has the right of access to all relevant information. The consolidated entity has entered into deeds of access and indemnity with and for the benefit of all officers (directors, company secretary & chief financial officer) and has also taken out directors' & officers' insurance. The nature of the liabilities covered and amount of the premium paid are not disclosed because, under general principles of insurance, disclosure might vitiate the policy. The Corporations Act does not require disclosure of the information in these circumstances.

The consolidated entity has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY

No person has applied for leave of court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purposes of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings. The consolidated entity was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

During the year PKF the consolidated entity's current auditor has performed non-audit services as set out below. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of

each type of non-audit service provided means that auditor independence was not compromised. PFK received the following amounts for the provision of non-audit services:

Tax services \$6,200

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration forms part of the directors' report and can be found on page 10.

Signed in accordance with a resolution of the directors

A handwritten signature in blue ink, appearing to be 'Graham', written over a horizontal line.

Chairman

Brisbane

24 September 2010

AUDITORS' INDEPENDENCE DECLARATION

To: Directors of e-Business Systems Ltd

As lead auditor for the audit of e-Business Systems Ltd for the year ended 30 June 2010, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF



Albert Loots
Partner

Dated at Brisbane this 24th day of September 2010

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**Statement of Comprehensive Income
For the Year Ended 30 June 2010**

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	2	21,104,356	12,965,852
Cost of sales		(16,305,696)	(9,760,401)
Gross profit		4,798,660	3,205,451
Administration expenses		(889,938)	(676,891)
Employee benefit expenses		(3,148,266)	(2,793,129)
Marketing expenses		(85,841)	(25,594)
Leasing expenses		(291,089)	(238,659)
Depreciation and amortisation expense		(111,486)	(60,483)
Impairment of trade receivables		-	(7,766)
Impairment of goodwill		-	(11,552)
Impairment of other intangibles		-	(1,134,827)
Impairment of receivables		(6,061)	-
Finance costs expense		(44,262)	(23,553)
Profit/(loss) before income tax		221,717	(1,767,003)
Income tax benefit/(expense)	3	4,323	186,023
Profit/(loss) after income tax expense		226,040	(1,580,980)
Other comprehensive income		-	-
Total comprehensive income		226,040	(1,580,980)
Earnings per share			
Basic earnings per share		0.28	(2.12)
Diluted earnings per share		0.28	(2.12)

The statement of comprehensive income should be read in conjunction with the notes to the financial statements

Balance Sheet
As at 30 June 2010

		Consolidated	
	Note	2010	2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	16	1,004,220	637,519
Trade and other receivables	4	2,694,254	1,460,759
Inventories	5	93,109	135,832
Income tax receivable		51,764	-
Other current assets	6	49,931	46,080
TOTAL CURRENT ASSETS		3,893,278	2,280,190
NON-CURRENT ASSETS			
Property, plant and equipment	8	204,281	157,526
Intangible assets	7	485,615	292,444
Deferred tax assets	3	190,346	186,023
TOTAL NON-CURRENT ASSETS		880,242	635,993
TOTAL ASSETS		4,773,520	2,916,183
CURRENT LIABILITIES			
Trade and other payables	9	3,183,105	1,796,627
Interest bearing loans and borrowings	10	121,946	84,853
Provisions	11	361,025	195,776
TOTAL CURRENT LIABILITIES		3,666,076	2,077,256
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	10	149,891	146,414
TOTAL NON-CURRENT LIABILITIES		149,891	146,414
TOTAL LIABILITIES		3,815,967	2,223,670
NET ASSETS		957,553	692,513
EQUITY			
Share capital	12	1,412,265	1,373,265
Accumulated losses		(454,712)	(680,752)
TOTAL EQUITY		957,553	692,513

The balance sheet should be read in conjunction with the notes to the financial statements

**Statement of Changes in Equity
For the Year Ended 30 June 2010**

	Consolidated		
	Share Capital	Retained Profits/ (Accumulate d Losses)	Total
	\$	\$	\$
Balance at 1 July 2008	1,800	924,228	926,028
Transactions with owners in their capacity as owners			
Issue of share capital – acquisition of Corpnet	1,053,465	-	1,053,465
Issue of share capital – capitalisation of debt	318,000	-	318,000
Dividends paid	-	(24,000)	(24,000)
Comprehensive income			
Loss after income tax	-	(1,580,980)	(1,580,980)
Other comprehensive income	-	-	-
Balance at 30 June 2009	<u>1,373,265</u>	<u>(680,752)</u>	<u>692,513</u>
Balance at 1 July 2009	1,373,265	(680,752)	692,513
Transactions with owners in their capacity as owners			
Share-based payment expense	39,000	-	39,000
Comprehensive income			
Profit after income tax	-	226,040	226,040
Other comprehensive income	-	-	-
Balance at 30 June 2010	<u>1,412,265</u>	<u>(454,712)</u>	<u>957,553</u>

The statement of changes in equity should be read in conjunction with the notes to the financial statements

Cash Flow Statement
For the Year Ended 30 June 2010

		Consolidated	
	Note	2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		21,908,782	15,818,358
Payments to suppliers and employees		(21,141,133)	(15,966,813)
Interest received		5,919	32,270
Finance costs		(44,262)	(23,553)
Income tax paid		(51,764)	1,830
Net cash used in operating activities	16	<u>677,542</u>	<u>(137,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(95,315)	(11,697)
Payments for intangible assets		(98,430)	(29,110)
Net cash used in investing activities		<u>(193,745)</u>	<u>(40,807)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	29,863
Repayment of borrowings		(117,096)	(36,139)
Payment of dividends		-	(24,000)
Net cash provided by financing activities		<u>(117,096)</u>	<u>(30,276)</u>
Net increase/(decrease) in cash held		366,701	(208,991)
Cash at the beginning of the financial year		<u>637,519</u>	<u>846,510</u>
Cash at the end of the financial year		<u>1,004,220</u>	<u>637,519</u>

The cash flow statement should be read in conjunction with the notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Introduction

e-Business Systems Ltd is incorporated in Australia and is a public company limited by shares listed on the National Stock Exchange Limited (NSX).

During the period ended 30 June 2009 the Company agreed and subsequently completed the merger with Corpnet (Australia) Pty Ltd. Corpnet (Australia) Pty Ltd accordingly became a controlled entity and wholly-owned subsidiary of e-Business Systems Ltd on 11 November 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 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 financial statements for the consolidated group are for the year ended 30 June 2010.

Operations and 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.

Scope of financial statements

The financial statements consist of e-Business Systems Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Currency

The financial report is presented in Australia dollars and rounded to the nearest one dollar.

Authorisation of financial report

The financial report was authorised for issue on 23 September 2010 by the directors. The directors have the power to amend this financial report after issue if required.

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board, and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of e-Business Systems Ltd comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity over which the parent has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 22 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognized initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognized in profit or loss.

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the statement of comprehensive income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income or equity instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income or equity respectively.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists or where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Inventories

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Work in Progress

Work in progress is valued at cost plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Project profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated, they are provided for in full.

Project revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

f. Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant & Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group starting from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Buildings	2%
Leasehold improvements	4–5%
Plant and equipment	5–33%
Leased plant and equipment	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h. Financial Instruments

Initial Recognition & Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or the sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Classification & Subsequent Measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- o The amount at which the financial asset or financial liability is measured at initial recognition;
- o Less principal repayments;
- o Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- o Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or, when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j. Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses.

Software

All software is stated at cost less accumulated amortisation. Software is amortised straight line over 4 years.

k. Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

n. Finance costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangements of borrowings and finance charges in respect of finance leases.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

Loan establishment costs are offset against financial liabilities under the effective interest rate method and amortised over the term of the facility to which they relate.

o. Revenue & Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue is recognised using the effective interest rate method which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

p. Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

q. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

r. Critical Accounting Estimates & Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Impairment

The group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

s. New Accounting Standards & Interpretations

When the adoption of the Standard or Interpretation is deemed to have a material impact on the financial statements or performance of the Consolidated Entity, its impact is described below:

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. New Accounting Standards & Interpretations (continued)

AASB 123 'Borrowing Costs'

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard does not affect the Consolidated Entity as all borrowings costs are capitalised with regard to qualifying assets.

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. They state 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 Entity.

t. New Standards & Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'

These standards are applicable to annual reporting periods beginning on or after 1 January 2010. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'

This standard is applicable to annual reporting periods beginning on or after 1 January 2010. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11, and as a consequence these two Interpretations are superseded by the amendments. Future adoption of this standard is not expected to materially affect the consolidated entity.

AASB 9 'Financial Instruments'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013 and simplifies the classifications into two categories: those carried at amortised cost and those carried at fair value. This standard simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. The standard also removes the tainting rules associated with held-to-maturity assets. Investments in equity instruments that are not held for trade can be designated at fair value through other comprehensive income with only dividends being recognised in profit and loss. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. Future adoption of this standard is not expected to materially affect the consolidated entity.

AASB 2009-10 'Amendments to Australian Accounting Standards - Classification of Rights Issues'

This standard is applicable to annual reporting periods beginning on or after 1 February 2010 and clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. Future adoption of this standard is not expected to materially affect the consolidated entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. New Standards & Interpretations Not Yet Adopted (continued)

AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013 and gives effect to the consequential changes arising from the issuance of AASB 9: Financial Instruments. Future adoption of this standard is not expected to materially affect the consolidated entity.

Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009)

This standard is applicable to annual reporting periods beginning on or after 1 January 2011 and simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. Future adoption of this standard is not expected to materially affect the consolidated entity.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

AASB 2009-12 makes amendments to a number of Standards and Interpretations. These standards are applicable to annual reporting periods beginning on or after 1 January 2011. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity has yet to determine the potential effect of these standards.

Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

This standard is applicable to annual reporting periods beginning on or after 1 July 2010 And requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions. Future adoption of this standard is not expected to materially affect the consolidated entity.

The consolidated entity has no plans to adopt accounting policy options with effect from 1 July 2009. Application of the amending standards will not affect any of the amounts recognised in the financial statements and is expected to only impact disclosures contained within the financial report.

	Consolidated	
	2010	2009
	\$	\$
Sales revenue	14,154,090	8,188,594
Services revenue	6,849,441	4,735,779
Interest revenue	5,919	32,270
Other revenue	94,906	9,209
	<u>21,104,356</u>	<u>12,965,852</u>

NOTE 2 REVENUE

Consolidated

NOTE 3 INCOME TAX

Income Tax Expense

Current tax expense

Current tax movements	-	-
(Over)/under provisions	-	-

Deferred tax expense

Current year movements in deferred tax	(7,845)	(95,999)
(Over)/under provisions	3,532	(90,024)

Income tax expense/(benefit)	(4,323)	(186,023)
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Reconciliation of income tax expense (benefit) applicable to accounting profit before income tax

Profit/(loss) before income tax	221,717	(1,767,003)
At income tax rate of 30% (2009: 30%)	66,515	(530,101)
Non-deductible expenses	18,921	319,684
Deferred tax assets not previously brought to account	(93,290)	114,418
(Over)/under provisions	3,531	(90,024)
Income tax expense/(benefit)	(4,323)	(186,023)

Deferred Tax Assets

Amounts recognised in the statement of comprehensive income

Provision for doubtful debts	-	2,075
Provision for obsolete stock	1,892	3,531
Employee benefits	108,308	58,733
Accrued expenses	34,759	30,794
Tax losses	45,387	96,499
	190,346	191,632
Amounts set-off against deferred tax liabilities	-	(5,609)
Net deferred tax asset	190,346	186,023

The deferred tax asset shown in the balance sheet reflects the impact of the group tax election made by the consolidated entity during the financial year. Consequent upon this election the consolidated entity is treated as a single entity for tax purposes generally with the result that group tax rules apply for the carry-forward of pre-merger losses (those relating to the period before completion of the merger with Corpnnet (Australia) Pty Ltd on 11 November 2008. These rules restrict the proportion of such losses available for carry-forward and offset against profits in respect of any subsequent financial year. The remainder of these losses, which are not available in this way, have been adjusted in the carrying value of the deferred tax asset.

NOTE 3 INCOME TAX (continued)

	Consolidated	
	2010	2009
	\$	\$
<u>Movements in deferred tax asset</u>		
Opening balance	191,632	-
(Over)/under provisions	(3,532)	99,051
Provision for doubtful debts	(2,075)	2,075
Provision for obsolete stock	1,892	3,531
Employee benefits	49,575	(13,620)
Accrued expenses	3,964	4,096
Tax losses	(51,110)	96,499
	190,346	191,632
Amounts set-off against deferred tax liabilities	-	(5,609)
Closing balance	190,346	186,023
 Deferred tax liabilities		
 <u>Amounts recognised in the statement of comprehensive income</u>		
Prepayments	-	5,609
	-	5,609
Amounts set-off against deferred tax assets	-	(5,609)
	-	-
 <u>Movements in deferred tax liability</u>		
Opening balance	5,609	-
(Over)/under provisions	-	9,027
Prepayments	(5,609)	(3,418)
	-	5,609
Amounts set-off against deferred tax assets	-	(5,609)
	-	-
 Unrecognised tax losses		
Unrecognised tax losses	151,293	1,005,878
 NOTE 4 RECEIVABLES		
Trade receivables	2,668,218	1,426,099
Allowance for impairment	-	(6,917)
	2,668,218	1,419,182
Other receivables	26,036	41,577
	2,694,254	1,460,759

NOTE 5 INVENTORIES

	Consolidated	
	2010	2009
	\$	\$
Work in progress	54,170	124,061
Finished goods	45,246	23,541
Allowance for impairment	(6,307)	(11,770)
	<u>93,109</u>	<u>135,832</u>

NOTE 6 OTHER ASSETS

Bonds/deposits	27,200	24,200
Prepayments	22,731	21,879
	<u>49,931</u>	<u>46,079</u>

NOTE 7 INTANGIBLE ASSETS

Software – at cost	573,277	317,180
Accumulated amortisation	(87,662)	(24,736)
	<u>485,615</u>	<u>292,444</u>

Master distribution rights – at cost	-	1,134,827
Accumulated impairment	-	(1,134,827)
	<u>-</u>	<u>-</u>

Master distribution rights – at cost	-	11,552
Accumulated impairment	-	(11,552)
	<u>-</u>	<u>-</u>

Intangible assets	<u>485,615</u>	<u>292,444</u>
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Movements in carrying amounts

	Software	Master Distribution Rights	Goodwill	Total
	\$	\$	\$	\$
Balance at 1 July 2008	8,505	-	11,552	20,057
Additions	254,546	-	-	254,546
Additions – business combinations	45,505	1,134,827	-	1,180,332
Impairment	-	(1,134,827)	(11,552)	(1,146,379)
Amortisation expense	(16,112)	-	-	(16,112)
Balance at 30 June 2009	<u>292,444</u>	<u>-</u>	<u>-</u>	<u>292,444</u>
Balance at 1 July 2009	292,444	-	-	292,444
Additions	256,097	-	-	256,097
Amortisation expense	(62,926)	-	-	(62,926)
Balance at 30 June 2010	<u>485,615</u>	<u>-</u>	<u>-</u>	<u>485,615</u>

NOTE 8 PROPERTY, PLANT & EQUIPMENT

	Consolidated	
	2010	2009
	\$	\$
Plant and equipment – at cost	398,612	368,434
Accumulated depreciation	(259,232)	(218,980)
	<u>139,380</u>	<u>149,454</u>
Leasehold improvements	74,327	9,190
Accumulated depreciation	(9,426)	(1,118)
	<u>64,901</u>	<u>8,072</u>
Property, plant and equipment	<u>204,281</u>	<u>157,526</u>

Movements in carrying amounts

	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$
Balance at 1 July 2008	108,897	8,302	117,199
Additions	11,697	-	11,697
Additions – business combinations	73,231	-	73,231
Depreciation expense	(44,371)	(230)	(44,601)
Balance at 30 June 2009	<u>149,454</u>	<u>8,072</u>	<u>157,526</u>
Balance at 1 July 2009	149,454	8,072	157,526
Additions	30,178	65,137	95,315
Depreciation expense	(40,252)	(8,308)	(48,560)
Balance at 30 June 2010	<u>139,380</u>	<u>64,901</u>	<u>204,281</u>

	Consolidated	
	2010	2009
	\$	\$
Trade payables	2,214,109	1,101,459
Other payables and accrued expenses	927,049	602,769
Unearned revenue	41,947	92,399
	<u>3,183,105</u>	<u>1,796,627</u>

NOTE 10 INTEREST-BEARING LOANS & BORROWINGS

Current:

Lease liability - secured	<u>121,946</u>	<u>84,853</u>
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Non-Current:

Lease liability - secured	<u>149,891</u>	<u>146,414</u>
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NOTE 11 PROVISIONS

Employee benefits	<u>361,025</u>	<u>195,776</u>
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NOTE 12 SHARE CAPITAL

		Consolidated		
		2010	2009	
		\$	\$	
NOTE 12 SHARE CAPITAL				
80,823,100 fully paid ordinary shares (2009: 79,936,736)		1,412,265	1,373,265	
	2010	2009	2010	2009
	Number	Number	\$	\$
<u>Movements during the year</u>				
Balance at beginning of year	79,936,736	50,399,450	1,373,265	1,800
Shares issues as consideration of Corpnet	-	262,192,494	-	1,053,465
Other shares issued as part of merger arrangements agreed with Corpnet	-	7,155,000	-	318,000
Share adjustment to account for 1-4 share consolidation	-	(239,810,208)	-	-
Share based payments	886,364	-	39,000	-
Balance at end of year	80,823,100	79,936,736	1,412,265	1,373,265

Ordinary shares have equal rights to vote, participate in dividends and share in the distribution of surplus assets in the event of the entity winding-up.

There is also a total of 50,399,450 converting performance shares in issue which are not shown in the table above because they do not have any present economic impact. These shares were issued fully paid up at an aggregate sum of \$1 in connection with the merger with Corpnet (Australia) Pty Ltd. Details (including share rights) are set out in the circular to shareholders dated 10 October 2008.

As at 30 June 2010 the following options were on issue:

Number of Options	Exercise Price	Expiry Date
293,750	\$0.60	30/06/10
1,338,194	\$0.80	30/06/10

These options all expired at the end of the financial year (as indicated) without being exercised.

NOTE 13 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year (2009: \$24,000). There were \$496,000 franking credits available to the shareholders of the Consolidated Entity.

		Consolidated	
		2010	2009
		\$	\$
<u>NOTE 14 AUDITORS' REMUNERATION</u>			
Remuneration for the auditor of the Group for:			
- audit and review of the financial report		19,000	28,500
- taxation services		6,200-	-
		19,000	28,500

NOTE 15 COMMITMENTS

	Consolidated	
	2010	2009
	\$	\$
<u>Finance leases - minimum lease payments</u>		
Within one year	148,303	103,198
One year or later and no later than five years	153,891	160,160
	<u>302,194</u>	<u>263,358</u>
<u>Less future finance charges payable</u>		
Within one year	(26,357)	(18,345)
One year or later and no later than five years	(4,000)	(13,746)
	<u>(30,357)</u>	<u>(32,091)</u>
<u>Lease liabilities provided for in these financial statements:</u>		
Current liability (Note 10)	121,946	84,853
Non-current liability (Note 10)	149,891	146,414
Total Lease Liabilities	<u>271,837</u>	<u>231,267</u>
	2010	2009
	\$	\$
<u>Operating leases for rental of premises and equipment – minimum lease payments</u>		
Within one year	276,611	251,419
One year or later and no later than five years	340,601	375,011
	<u>617,212</u>	<u>626,430</u>

NOTE 16 CASH FLOW INFORMATION

	Consolidated	
	2010	2009
	\$	\$
Reconciliation of cash flow from operations with profit / (loss) after income tax		
Profit/(loss) after income tax	226,040	(1,580,980)
<u>Non-cash items in loss after income tax</u>		
Depreciation and amortisation	111,486	60,483
Impairment of goodwill	-	11,552
Impairment of receivables	6,061	7,766
Impairment of inventory	(5,463)	11,770
Impairment of intangibles	-	1,134,827
Share based payments	39,000	-
<u>Movements in assets and liabilities</u>		
Receivables	(1,239,556)	1,530,049
Inventories	48,186	13,292
Other assets	(3,852)	(15,991)
Tax assets	(56,087)	(184,192)
Trade payables and accruals	1,436,930	(1,143,372)
Unearned income	(50,452)	62,288
Provisions	165,249	(45,400)
Cash flow from operations	677,542	(137,908)
Total cash and cash equivalents		
Cash on hand	562	500
Cash at bank	1,003,658	637,019
	1,004,220	637,519

NOTE 17 EARNINGS PER SHARE

	2010	2009
	\$	\$
Earnings used to calculate basic and dilutive EPS	226,040	(1,580,980)
	2010	2009
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	80,347,135	74,693,762

NOTE 18 SHARE-BASED PAYMENTS

During the year, the company issued a total of 886,364 fully paid ordinary shares to David Glavonjic in respect of his services as a non-executive director for the period from December 2008 to December 2009 (both months inclusive) pursuant to and in accordance with the authority from shareholders conferred at the AGM held on 26 November 2009. The notional issue price was 4.4 cents per share.

NOTE 19 RELATED PARTIES & KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Details of Directors & Other Key Management Personnel During the 2010 Financial Year

Directors

Geoff Marshall	Non-Executive Chairman (appointed 11 January 2010)
Agim Isai	Group Managing Director
Russell Krause	Non-Executive Director (resigned 30 April 2010)
David Glavonjic	Non-Executive Director (resigned 31 July 2010)

Key Management Personnel

Scott Hartwell	Chief Financial Officer
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Key Management Personnel Remuneration

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity.

<u>Summary</u>	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	505,747	515,820
Post-employment benefits	43,506	30,357
Share-based payments	39,000	-
	<u>588,253</u>	<u>546,177</u>

Key Management Personnel Shareholdings

2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
Director					
Geoff Marshall	-	-	-	-	-
Agim Isai (Managing Director)	19,882,931	-	-	-	19,882,931
Russell Krause	964,127	-	-	-	964,127
David Glavonjic	1,840,735	886,364	-	-	2,727,099
Key Management Personnel					
Scott Hartwell	11,580,169	-	-	-	11,580,169
	<u>34,267,962</u>	<u>886,364</u>	<u>-</u>	<u>-</u>	<u>35,154,326</u>

NOTE 19 RELATED PARTIES & KEY MANAGEMENT PERSONNEL (Continued)

Key Management Personnel Option Holdings

2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Expired	Balance 30 June 2010
Director					
Geoff Marshall	-	-	-	-	-
Agim Isai	405,919	-	-	-	405,919
Russell Krause	-	-	-	-	-
David Glavonjic	-	-	-	-	-
Key Management Personnel					
Scott Hartwell	236,414	-	-	-	236,414
	642,333	-	-	-	642,333

All options shown above lapsed at the end of the financial year without having been exercised. While they were still capable of exercise of 30 June 2010, therefore, they were no longer exercisable on 1 July 2010. In the event none of them was exercised they have all therefore now lapsed.

Transactions with Director Related Parties

During the financial year the board restored management salary levels for Agim Isai (managing director) and Scott Hartwell (chief financial officer) to their previous levels with effect from 1 July 2009 as announced via the NSX at the time. The executives concerned had previously accepted temporary salary reductions on a voluntary basis as part of the company's management response to the global financial crisis. There were no other related party transactions by or affecting the related entity during the financial year.

Amounts owed to Key Management Personnel

There were no amounts owed to Related Parties and Key Management Personnel at the end of the financial year 2010 (2009: \$ -).

NOTE 20 FINANCIAL RISK MANAGEMENT

The consolidated entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is cash flow interest rate risk.

There have been no substantive changes in the consolidated entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the managing director and the chief financial officer. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the consolidated entity's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge its obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2010.

NOTE 20 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk is kept continually under review and managed to reduce the incidence of material losses being incurred by the non-receipt of monies due. Credit risk is managed through:

- Monitoring and follow-up of accounts receivable to ensure collections are being made promptly in accordance with contractual terms and conditions; and
- Preparation of aged listings of trade accounts receivable to assist in monitoring and follow-up.

Specific provisions are made against identified doubtful receivables, and general provisions are made for losses which are known from past experience to be inherent in the company's receivables. The level of provision is determined having regard to economic conditions and other general risk factors.

All known bad debts are written off in the year in which they are identified. The consolidated entity does not have any material credit risk exposure to any one counterparty.

Maximum Exposure to Credit Risk

<u>Summary exposure</u>	Consolidated	
	2010	2009
	\$	\$
Cash and cash equivalents	1,004,220	637,519
Trade receivables	2,668,218	1,426,099
Other receivables	26,036	41,577
	<u>3,698,474</u>	<u>2,105,195</u>
<u>Ageing of trade receivables</u>		
Not past due	\$2,420,810	975,271
Past due 0-90 days	157,493	425,014
Past due >90 days	89,914	25,814
	<u>2,668,217</u>	<u>1,426,099</u>

None of the past due receivables at 30 June 2010 were impaired because it is expected that these amounts will be received in full in the normal course of business.

Credit risk - Cash & cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparty to these financial assets is in each case a large financial institution with strong credit ratings.

(b) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Consolidated Entity did not have any financing facilities available at balance date.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010. The amounts disclosed represent undiscounted cash flows.

NOTE 20 FINANCIAL RISK MANAGEMENT (Continued)

The remaining contractual maturities of the financial liabilities are:

Consolidated	Trade and other payables \$	Finance leases \$	Total \$
2010			
Less than one year	3,183,105	148,303	3,331,408
One to five years	-	153,891	153,891
Greater than five years	-	-	-
	3,183,105	302,194	3,485,299
2009			
Less than one year	1,796,627	103,198	1,899,825
One to five years	-	160,160	160,160
Greater than five years	-	-	-
	1,796,627	263,358	2,059,985

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest Rate Risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure under financial instruments is minimal as it does not currently have any variable interest-bearing financial liabilities.

Interest rates over the financial year period were analysed, and a sensitivity was determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated	
<u>Impact on profit and equity</u>	2010 \$	2009 \$
+1.00% (100 basis points)	7,029	4,459
-1.00% (100 basis points)	(7,029)	(4,459)

(d) Capital Risk Management

When managing capital, the directors' objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure also that adequate capital is available for business purposes generally. In order to maintain or adjust the capital structure, the Consolidated Entity may seek to issue new shares.

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 21 OPERATING SEGMENT

Reportable Segments

The consolidated entity operates in one business segment, being software development and provision of e-business services, and -in one geographical segment, being Australia.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision-maker in order to allocate resources to the segment and assess its performance.

NOTE 22 CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2010 (2009: \$ -).

NOTE 23 PARENT ENTITY INFORMATION

For accounting purposes Corpnet (Australia) Pty Ltd (which, legally, is a wholly-owned subsidiary of e-Business Systems Ltd) is treated as having acquired control of the other group entities on 11 November 2008.

	2010 \$	2009 \$
<u>Parent Entity Financial Information</u>		
Current assets	3,844,410	2,659,966
Non-current assets	781,945	542,057
Total assets	4,626,355	3,202,023
Current liabilities	3,579,144	1,981,704
Non-current liabilities	136,699	146,414
Total liabilities	3,715,843	2,128,118
Net assets	910,512	1,073,905
Share Capital	1,412,265	1,373,265
Accumulated losses	(501,753)	(299,360)
Total Equity	910,512	1,073,905
Loss after income tax	(202,393)	(1,199,588)
Other comprehensive income	-	-
Total comprehensive income	(202,393)	(1,199,588)

Controlled Entities of the Parent Entity

	Country of Incorporation	Percentage Owned	
		2010 %	2009 %
Corpnet (Australia) Pty Ltd	Australia	100%	100%
Safeworld Australia and New Zealand Pty Ltd	Australia	100%	100%
Spheritec Pty Ltd	Australia	100%	100%

NOTE 23 PARENT ENTITY INFORMATION (Continued)

The group structure presented in the above table reflects the legal ownership with e-Business Systems Ltd as the group holding company. The accounting information presented in this note, however, reflects the presentation required under accounting standards with Corpnet (Australia) Pty Ltd as the controlling entity and should be read accordingly.

NOTE 24 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

DIRECTORS' DECLARATION

In the opinion of the Directors:

- (a) The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) Complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date;
- (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; and
- (c) The financial statements comply with International Financial Reporting Standards as disclosed in note 1.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.



Chairman

Brisbane
24 September 2010

INDEPENDENT AUDITORS REPORT

To the members of e-Business Systems Ltd

Report on the Financial Report

We have audited the accompanying financial report of e-Business Systems Ltd, which comprises the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of e-Business Systems Ltd and its controlled entities ("the consolidated entity") The Consolidated Entity comprises e-Business Systems Ltd and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Auditor's Opinion

In our opinion:

- (a) the financial report of e-Business Systems Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of e-Business Systems Ltd for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.

**PKF**

Albert Loots
Partner

Dated at Brisbane this 27 of September 2010