

FORM: Half yearly/preliminary final report

Name of issuer

E-BUSINESS SYSTEMS LTD

ACN or ARBN

107 353 695

Half yearly
(tick)

✓

Preliminary
final (tick)

Half year/financial year ended
(‘Current period’)

31 December 2010

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

| | | | | |
|--|----------------|--------|-------------------------------|---------|
| | | | | \$A,000 |
| Revenue <i>(item 1.1)</i> | down | (2.2)% | To | \$9,022 |
| Profit (loss) for the period <i>(item 1.9)</i> | down | (118)% | To | (\$49) |
| Profit (loss) for the period attributable to members of the parent <i>(item 1.11)</i> | down | (118)% | To | (\$49) |
| Dividends | Current period | | Previous corresponding period | |
| Franking rate applicable: | | | | |
| Final dividend <i>(preliminary final report only)(item 10.13-10.14)</i> | | | | |
| Amount per <i>security</i> | - | | - | |
| Franked amount per <i>security</i> | - | | - | |
| Interim dividend <i>(Half yearly report only) (item 10.11 – 10.12)</i> | | | | |
| Amount per <i>security</i> | - | | - | |
| Franked amount per <i>security</i> | - | | - | |
| | | | | |
| Short details of any bonus or cash issue or other item(s) of importance not previously released to the market: | | | | |
| Nil | | | | |

Consolidated income statement *(The figures are not equity accounted)**(see note 3)**(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)*

| | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|--|-----------------------------|---|
| 1.1 Revenues <i>(item 7.1)</i> | 9,022 | 9,222 |
| 1.2 Expenses, excluding finance costs <i>(item 7.2)</i> | (9,115) | (8,944) |
| 1.3 Finance costs | (17) | (12) |
| 1.4 Share of net profits (losses) of associates and joint ventures <i>(item 15.7)</i> | - | - |
| 1.5 Profit (loss) before income tax | (110) | 266 |
| 1.6 Income tax expense <i>(see note 4)</i> | 61 | 11 |
| 1.7 Profit (loss) from continuing operations | (49) | 277 |
| 1.8 Profit (loss) from discontinued operations <i>(item 13.3)</i> | - | - |
| 1.9 Profit (loss) for the period | (49) | 277 |
| 1.10 Profit (loss) attributable to minority interests | - | - |
| 1.11 Profit (loss) attributable to members of the parent | (49) | 277 |
| 1.12 Basic earnings per security <i>(item 9.1)</i> | (0.06c) | 0.35c |
| 1.13 Diluted earnings per security <i>(item 9.1)</i> | (0.06c) | 0.35c |
| | | |
| 1.14 Dividends per security <i>(item 9.1)</i> | - | - |

Consolidated balance sheet*(See note 5)**(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)*

| Current assets | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|---------------------------------|-----------------------------|---|
| 3.1 Cash and cash equivalents | 587 | 1,074 |
| 3.2 Trade and other receivables | 2,107 | 2,211 |
| 3.3 Inventories | 45 | 558 |
| 3.4 Other current assets | 52 | 137 |
| 3.5 Total current assets | 2,791 | 3,981 |

| | | | |
|------|---|--------------------------|---|
| | Non-current assets | | |
| 3.6 | Available for sale investments | - | - |
| 3.7 | Other financial assets | - | - |
| 3.8 | Investments in associates | - | - |
| 3.9 | Deferred tax assets | - | - |
| 3.10 | Exploration and evaluation expenditure capitalised (see para. 71 of AASB 1022 – new standard not yet finalised) | - | - |
| 3.11 | Development properties (mining entities) | - | - |
| 3.12 | Property, plant and equipment (net) | 190 | 191 |
| 3.13 | Investment properties | - | - |
| 3.14 | Goodwill | - | - |
| 3.15 | Other intangible assets | 484 | 414 |
| 3.16 | Other - deferred tax asset | 251 | 197 |
| 3.17 | Total non-current assets | 925 | 801 |
| 3.18 | Total assets | 3,716 | 4,782 |
| | Current liabilities | | |
| 3.19 | Trade and other payables | 2,279 | 3,222 |
| 3.20 | Short term borrowings | 134 | 122 |
| 3.21 | Current tax payable | - | - |
| 3.22 | Short term provisions | 309 | 261 |
| 3.23 | Current portion of long term borrowings | - | - |
| 3.24 | Other current liabilities (provide details if material) | - | - |
| | | 2,722 | 3,604 |
| 3.25 | Liabilities directly associated with non-current assets classified as held for sale (para 38 of AASB 5) | - | - |
| 3.26 | Total current liabilities | 2,722 | 3,604 |
| | Non-current liabilities | | |
| | | Current period - \$A'000 | Previous corresponding period - \$A'000 |
| 3.27 | Long-term borrowings | 76 | 208 |

| | | | |
|------|--|-------|-------|
| 3.28 | Deferred tax liabilities | - | - |
| 3.29 | Long term provisions | 10 | - |
| 3.30 | Other (provide details if material) | - | - |
| 3.31 | Total non-current liabilities | 86 | 208 |
| 3.32 | Total liabilities | 2,808 | 3,812 |
| 3.33 | Net assets | 908 | 969 |
| | Equity | | |
| 3.34 | Share capital | 1,412 | 1,373 |
| 3.35 | Other reserves | (504) | (404) |
| 3.36 | Retained earnings | | |
| | Amounts recognised directly in equity relating to non-current assets classified as held for sale | - | - |
| 3.37 | Parent interest | - | - |
| 3.38 | Minority interest | - | - |
| 3.39 | Total equity | 908 | 969 |

Consolidated statement of cash flows

(See note 6)

(as per AASB 107: Cash Flow Statements)

| | | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|-----|---|-----------------------------|---|
| | Cash flows related to operating activities | | |
| 5.1 | Receipts from customers | 10,662 | 8,481 |
| 5.2 | Payments to suppliers and employees | (10,969) | (7,881) |
| 5.3 | Interest and other costs of finance paid | (17) | (12) |
| 5.4 | Income taxes paid | 52 | (52) |
| 5.5 | Other – <i>interest received</i> | 4 | 3 |
| 5.6 | Net cash used in operating activities | (268) | 540 |
| | Cash flows related to investing activities | | |
| 5.7 | Payments for purchases of property, plant and equipment | (17) | (44) |
| 5.8 | Proceeds from sale of property, plant and equipment | - | - |

| | | | |
|---|--|-------|-------|
| 5.9 | Payment for purchases of equity investments | - | - |
| 5.10 | Proceeds from sale of equity investments | - | - |
| 5.11 | Loans to other entities | - | - |
| 5.12 | Loans repaid by other entities | - | - |
| 5.13 | Interest and other items of similar nature received | - | - |
| 5.14 | Dividends received | - | - |
| 5.15 | Other - <i>payment for intangibles</i> | (70) | - |
| 5.16 | Net cash used in investing activities | (87) | (44) |
| | | | |
| Cash flows related to financing activities | | | |
| 5.17 | Proceeds from issues of securities (shares, options, etc.) | - | - |
| 5.18 | Proceeds from borrowings | - | - |
| 5.19 | Repayment of borrowings | (62) | (59) |
| 5.20 | Dividends paid | - | - |
| 5.21 | Other (provide details if material) | - | - |
| 5.22 | Net cash used in financing activities | (62) | (59) |
| Net increase (decrease) in cash and cash equivalents | | (417) | 437 |
| 5.23 | Cash at beginning of period (see <i>Reconciliations of cash</i>) | 1,004 | 638 |
| 5.24 | Exchange rate adjustments to item 5.23 | - | - |
| 5.25 | Cash at end of period (see <i>Reconciliation of cash</i>) | 587 | 1,074 |

| Ratios | | Current period | Previous corresponding period |
|--|--|----------------|-------------------------------|
| Profit before tax / revenue | | | |
| 8.1 | Consolidated profit (loss) before tax (<i>item 1.5</i>) as a percentage of revenue (<i>item 1.1</i>) | (1.22) | 2.88 |
| Profit after tax / equity interests | | | |
| 8.2 | Consolidated profit (loss) after tax attributable to members (<i>item 1.11</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 3.37</i>) | (5.4) | 28.56 |

Earnings per Security

- 9.1 Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

| |
|------------------------|
| Basic – (0.06) cents |
| Diluted – (0.06) cents |

Dividends

10.1 Date the dividend is payable

| |
|---|
| - |
|---|

10.2 Record date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

| |
|---|
| - |
|---|

10.3 If it is a final dividend, has it been declared?

10.4 The *dividend or distribution plans* shown below are in operation.

| |
|-----|
| n/a |
|-----|

The last date(s) for receipt of election notices to the *dividend or distribution plans*

| |
|-----|
| n/a |
|-----|

10.5 Any other disclosures in relation to *dividends or distributions*

| |
|-----|
| n/a |
|-----|

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

| | | Number issued | Number listed | Paid-up value - A\$'000 | Current period - A\$'000 | Previous corresponding period - A\$'000 |
|------|--|---------------|---------------|-------------------------|--------------------------|---|
| 14.1 | Preference securities (description) | - | - | - | - | - |
| 14.2 | Balance at start of period | - | - | - | - | - |
| 14.3 | a) Increases through issues | - | - | - | - | - |
| 14.4 | a) Decreases through returns of capital, buybacks etc. | - | - | - | - | - |
| 14.5 | Balance at end of period | - | - | - | - | - |

| | | | | | | |
|-------|--|-------------|---|-------|-------|---|
| 14.6 | Ordinary securities <i>(description)</i> | | | | | |
| 14.7 | Balance at start of period | 80,823,100 | | 1,412 | 1,412 | - |
| 14.8 | a) Increases through issues | - | | - | - | - |
| 14.9 | b) Decreases through returns of capital, buybacks etc. | - | | - | - | - |
| 14.10 | Balance at end of period | 80,823,100 | | 1,412 | 1,412 | - |
| 14.11 | Convertible Debt Securities <i>(description & conversion factor)</i> | - | - | - | - | - |
| 14.12 | Balance at start of period | - | - | - | - | - |
| 14.13 | a) Increases through issues | - | - | - | - | - |
| 14.14 | b) Decreases through maturity, converted. | - | - | - | - | - |
| 14.15 | Balance at end of period | - | - | - | - | - |
| 14.16 | Options <i>(description & conversion factor)</i> | | | | | |
| 14.17 | Balance at start of period | 1,631,944 | - | - | - | - |
| 14.18 | Issued during period | - | - | - | - | - |
| 14.19 | Exercised during period | - | - | - | - | - |
| 14.20 | Expired during period | (1,631,944) | - | - | - | - |
| 14.21 | Decrease through capital reorganisation | - | | | | |
| 14.22 | Balance at end of period | - | - | - | - | - |

| | | | | | | |
|-------|--|---|---|---|---|---|
| 14.23 | Debentures <i>(description)</i> | - | - | - | - | - |
| 14.24 | Balance at start of period | - | - | - | - | - |
| 14.25 | a) Increases through issues | - | - | - | - | - |
| 14.26 | b) Decreases through maturity, converted | - | - | - | - | - |
| 14.27 | Balance at end of period | - | - | - | - | - |
| 14.28 | Unsecured Notes <i>(description)</i> | - | - | - | - | - |
| 14.29 | Balance at start of period | - | - | - | - | - |
| 14.30 | a) Increases through issues | - | - | - | - | - |
| 14.31 | b) Decreases through maturity, converted | - | - | - | - | - |
| 14.32 | Balance at end of period | - | - | - | - | - |
| 14.33 | Other securities <i>(description)</i> | <i>Converting performance shares fully paid up at an aggregate sum of \$1 – refer to circular for shareholders dated 10 October 2008 in connection with the merger with Corpnet (Australia) Pty Ltd for specific details.</i> | | | | |
| 14.34 | Balance at start of period | 50,399,450 | - | - | - | - |
| 14.35 | Increases through issues | - | - | - | - | - |
| 14.36 | Decreases through maturity, converted | - | - | - | - | - |
| 14.37 | Balance at end of period | 50,399,450 | - | - | - | - |
| 14.38 | Total Securities | 131,222,550 | | | | - |

| | Current period – A\$'000 | Previous corresponding period – A\$'000 |
|---|-----------------------------|---|
| Reserves | | |
| 14.39 Balance at start of period | - | - |
| 14.40 Transfers to/from reserves | - | - |
| 14.41 Total for the period | - | - |
| 14.42 Balance at end of period | - | - |
| 14.43 Total reserves | - | - |
| Retained earnings | | |
| 14.44 Balance at start of period | (455) | (681) |
| 14.45 Changes in accounting policy | - | - |
| 14.46 Restated balance | - | - |
| 14.47 Profit for the balance | (49) | 277 |
| 14.48 Total for the period | - | - |
| 14.49 Dividends | - | - |
| 14.50 Balance at end of period | (504) | (404) |

Details of aggregate share of profits (losses) of associates and joint venture entities

(equity method)

(as per paragraph Aus 37.1 of AASB 128: Investments in Associates and paragraph Aus 57.3 of AASB 131: Interests in Joint Ventures)

Name of associate or joint venture entity

n/a

Reporting entities percentage holding

n/a

| | | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|------|--|-----------------------------|---|
| 15.1 | Profit (loss) before income tax | - | - |
| 15.2 | Income tax | - | - |
| 15.3 | Profit (loss) after tax | - | - |
| 15.4 | Impairment losses | - | - |
| 15.5 | Reversals of impairment losses | - | - |
| 15.6 | Share of non-capital expenditure contracted for (excluding the supply of inventories) | - | - |
| 15.7 | Share of net profit (loss) of associates and joint venture entities | - | - |

Control gained over entities having material effect

(See note 8)

| | | |
|------|--|-----|
| 16.1 | Name of <i>issuer</i> (or <i>group</i>) | n/a |
|------|--|-----|

| | | |
|------|--|---------|
| | | \$A'000 |
| 16.2 | Consolidated profit (loss) after tax of the <i>issuer</i> (or <i>group</i>) since the date in the current period on which control was acquired | - |
| 16.3 | Date from which profit (loss) in <i>item 16.2</i> has been calculated | - |
| 16.4 | Profit (loss) after tax of the <i>issuer</i> (or <i>group</i>) for the whole of the previous corresponding period | - |

Loss of control of entities having material effect

(See note 8)

| | | |
|------|--|-----|
| 17.1 | Name of <i>issuer</i> (or <i>group</i>) | n/a |
|------|--|-----|

| | | |
|------|---|---------|
| | | \$A'000 |
| 17.2 | Consolidated profit (loss) after tax of the entity (or <i>group</i>) for the current period to the date of loss of control | - |
| 17.3 | Date from which the profit (loss) in <i>item 17.2</i> has been calculated | - |
| 17.4 | Consolidated profit (loss) after tax of the entity (or <i>group</i>) while controlled during the whole of the previous corresponding period | - |
| 17.5 | Contribution to consolidated profit (loss) from sale of interest leading to loss of control | - |

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

| | | Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal | | Contribution to profit (loss) (item 1.9) | |
|------|--------------------------------------|---|-------------------------------|--|---------------------------------------|
| 18.1 | Equity accounted associated entities | Current period | Previous corresponding period | Current period \$A'000 | Previous corresponding period \$A'000 |
| | | - | - | Equity accounted | |
| | | | | - | - |
| 18.2 | Total | - | - | - | - |
| 18.3 | Other material interests | - | - | Non equity accounted (i.e. part of item 1.9) | |
| | | | | - | - |
| 18.4 | Total | - | - | - | - |

NTA Backing

(see note 7)

20.1

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | \$0.005 | \$0.007 |

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

21.1

n/a

International Financial Reporting Standards

Under paragraph 39 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1

n/a

Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2

n/a

Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report [Delete if inapplicable.]

n/a

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

Nil

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

There is an available franking account balance of \$496,146. No prediction is made as to dividend prospects.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

Nil

An issuer shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)

Nil

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (as per paragraph 16(d) of AASB 134: Interim Financial Reporting)

Nil

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report (as per paragraph 16(j) of AASB 134: Interim Financial Reporting)

Nil

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence (as per paragraph 16(c) of AASB 134: Interim Financial Reporting)

Nil

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations (as per paragraph 16(i) of AASB 134: Interim Financial Reporting)

Nil

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence (as per paragraph 16(c) of AASB 134: Interim Financial Reporting)

Nil

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations (as per paragraph 16(i) of AASB 134: Interim Financial Reporting)

Nil

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

Nil

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

☐ The financial statements have been audited. ☒ The financial statements have been subject to review by a registered auditor (or overseas equivalent).

☐ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached as set out in the box below. (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

Nil

6. The *issuer* does not have a formally constituted audit committee.

Sign here:

A handwritten signature in dark ink, appearing to read "J. J. Martineau", with a horizontal line drawn underneath the name.

Date: 15 March 2011

(Company secretary)

Print name: Jeremy Martineau