e-business systems ltd

ACN 107 353 695

Half-year Financial Report

Period ended 31 December 2010

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Directors' Report

Directors

The directors present their report for the six-month period ended 31 December 2010.

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

- Geoff Marshall
- Agim Isai
- Paul Lynch (appointed 8 September 2010)
- David Glavonjic (resigned 31 July 2010)

Review and Results of Operations

The net loss after tax of the consolidated entity for the period ended 31 December 2010 was $49,412 (2009: profit $276,796).

Impact of Queensland Floods & Going Concern Basis of Preparation

For the 6 months period ended 31 December 2010 the consolidated entity made a loss after tax of $49,412 and cash flows from operations were a deficit of $267,913. As at 31 December 2010 the consolidated entity had net current assets of $68,852 and net assets of $908,141.

During the second quarter there was a downturn in general trading conditions with a decline in customer demand. This was due in part to delays in corporate decisions relating to procurement. Management took action accordingly during the period to reduce overhead in line with demand and continues to monitor the situation closely and to apply tight cash management. At the end of the period the company's forward pipeline of work opportunities remained solid, notwithstanding the impact of recent trading conditions on the immediate order book, and this continues to be the case at the date of this report.

Since the end of the period, however, the floods that affected much of Queensland during January adversely affected the business. Although the company's premises were not themselves flooded, it was necessary to vacate them as a precautionary measure, which inevitably caused some disruption to operations. There have also been quite far-reaching indirect impacts on many businesses up and down supply chains from which EBS has not been immune. Management expects these impacts to continue to some extent for much of the current financial year.

The consolidated entity has forecast sufficient profits and cash flows to continue to meet its cash flow requirements. Also as well as the working capital mentioned above the consolidated entity has access to an overdraft facility of $250,000 to meet short term cash flow requirements.

After considering all available current information the directors have concluded that there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due and that the going concern basis of preparation of the financial report is appropriate.

Significant Changes in State of Affairs

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

Principal Activities

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

Auditors' Declaration

The auditors' independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 of this report.

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

Geoff Marshall
Chairman 15 March 2011

Auditors' Independence Declaration

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of e-Business Systems Ltd for the half year ended 31 December 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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Albert Loots
Partner

Dated at Brisbane this 15th day of March 2011

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Statement of Comprehensive Income

Statement of Comprehensive Income for the period of six months ended 31 December 2010

	Consolidated Dec 2010 $	Consolidated Dec 2009 $
Revenue	9,021,520	9,221,996
Expenses		
Cost of goods sold	(7,788,708)	(6,955,818)
Administration expenses	(428,911)	(375,723)
Employee benefit expenses	(540,970)	(1,363,531)
Marketing expenses	(99,825)	(62,671)
Leasing expenses	(144,786)	(139,285)
Depreciation expenses	(102,828)	(46,928)
Impairment of receivables expense	(9,119)	-
Finance costs expense	(16,709)	(11,790)
Profit/(loss) before income tax expense	(110,336)	266,250
Income tax benefit/(expense)	60,924	10,546
Profit/(loss) from continuing operations	(49,412)	276,796
Other comprehensive income	-	-
Total comprehensive income for the period	(49,412)	276,796

Overall Operations

Basic earnings/(loss) per share (cents per share)	(0.06)	0.35
Diluted earnings/(loss) per share (cents per share)	(0.06)	0.35

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

Balance Sheet

Balance sheet as at 31 December 2010

	Consolidated	
	Dec 2010	June 2010
	$	$
Current Assets		
Cash & cash equivalents	587,250	1,004,220
Trade & other receivables	2,106,841	2,694,254
Inventories	45,249	93,109
Income tax receivable	-	51,764
Other	51,457	49,931
Total current assets	2,790,797	3,893,278
Non-Current Assets		
Property, plant & equipment	189,594	204,281
Intangible assets	484,292	485,615
Deferred tax assets	251,270	190,346
Total non-current assets	925,156	880,242
Total assets	3,715,953	4,773,520
Current Liabilities		
Trade & other payables	2,278,956	3,183,105
Interest bearing loans and borrowings	133,659	121,946
Provisions	309,330	361,025
Total current liabilities	2,721,945	3,666,076
Non-Current Liabilities		
Interest bearing loans and borrowings	75,943	149,891
Provisions	9,924	-
Total non-current liabilities	85,867	149,891
Total liabilities	2,807,812	3,815,967
NET ASSETS	908,141	957,553
EQUITY		
Share capital	1,412,265	1,412,265
Accumulated profits (losses)	(504,124)	(454,712)
TOTAL EQUITY	908,141	957,553

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

Statement of Cash Flows

Statement of cash flows for the period of six months ended 31 December 2010

	Consolidated Dec 2010 $	Consolidated Dec 2009 $
Cash Flows From Operating Activities		
Receipts from customers	10,661,624	8,481,112
Payments to suppliers & employees	(10,968,777)	(7,880,884)
Interest received	4,185	2,829
Finance costs paid	(16,709)	(11,790)
Income tax received/(paid)	51,764	(51,764)
Net cash provided by/(used in) operating activities	(267,913)	539,503
Cash Flows From Investing Activities		
Payments for plant & equipment	(16,686)	(43,586)
Payments for software	(70,132)	-
Net cash provided by/(used in) investing activities	(86,818)	(43,586)
Cash Flows from Financing Activities		
Proceeds/(Repayment) from borrowings	(62,239)	(59,035)
Net cash provided by/(used in) financing activities	(62,239)	(59,035)
Net increase/(decrease) in cash held	(416,970)	436,882
Cash at beginning of financial period	1,004,220	637,519
CASH AT THE END OF THE FINANCIAL PERIOD	587,250	1,074,401

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

Statement of Changes in Equity

Statement of changes in equity as at 31 December 2010

Consolidated	Share Capital $	Retained Profits/ (Accumulated Losses) $	Total $
Balance at 1 July 2009	1,373,265	(680,752)	692,513
Transactions with owners in their capacity as owners			
Share-based payment expense	-	-	-
Comprehensive income			
Profit after income tax	-	276,796	276,796
Other comprehensive income	-	-	-
Balance at 31 December 2009	1,373,265	(403,956)	969,309
Balance at 1 July 2010	1,412,265	(454,712)	957,553
Transactions with owners in their capacity as owners			
Share-based payment expense	-	-	-
Comprehensive income			
Loss after income tax	-	(49,412)	(49,412)
Other comprehensive income	-	-	-
Balance at 31 December 2010	1,412,265	(504,124)	908,141

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

Notes to Financial Statements

BASIS OF PREPARATION

This general purpose Financial Report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly this Report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2010 and any public announcements made by e-Business Systems Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

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

Impact of Queensland Floods & Going Concern Basis of Preparation

For the 6 months period ended 31 December 2010 the consolidated entity made a loss after tax of $49,412 and cash flows from operations were a deficit of $267,913. As at 31 December 2010 the consolidated entity had net current assets of $68,852 and net assets of $908,141.

During the second quarter there was a downturn in general trading conditions with a decline in customer demand. This was due in part to delays in corporate decisions relating to procurement. Management took action accordingly during the period to reduce overhead in line with demand and continues to monitor the situation closely and to apply tight cash management. At the end of the period the company's forward pipeline of work opportunities remained solid, notwithstanding the impact of recent trading conditions on the immediate order book, and this continues to be the case at the date of this report.

Since the end of the period, however, the floods that affected much of Queensland during January adversely affected the business. Although the company's premises were not themselves flooded, it was necessary to vacate them as a precautionary measure, which inevitably caused some disruption to operations. There have also been quite far-reaching indirect impacts on many businesses up and down supply chains from which EBS has not been immune. Management expects these impacts to continue to some extent for much of the current financial year.

The consolidated entity has forecast sufficient profits and cash flows to continue to meet its cash flow requirements. Also as well as the working capital mentioned above the consolidated entity has access to an overdraft facility of $250,000 to meet short term cash flow requirements.

After considering all available current information the directors have concluded that there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due and that the going concern basis of preparation of the financial report is appropriate.

Application of Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards:

1. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

This standard 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.

The adoption of this standard did not affect the Consolidated Entity during the period.

2. SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2010	Dec 2010	Dec 2009	Dec 2009
	Shares	$	Shares	$
Fully paid ordinary shares at 1 July	80,823,100	1,412,265	79,936,736	1,373,265
Share based payments	-	-	-	-
Total fully paid ordinary shares at 31 December	80,823,100	1,412,265	79,936,736	1,373,265

3. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events since 31 December 2010 that impact upon the financial report as at 31 December 2010 except as mentioned in the directors' report on page 2 of this report.

4. SEGMENT REPORTING

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

5. CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets at 31 December 2010 that require disclosure in the financial report.

6. DIVIDENDS

No dividends were paid during the period (2009: $nil).

Directors' Declaration

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

a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including that they:

   (i) comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporate Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) give a true and fair view of consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

Signed in accordance with a resolution of board of directors.

On behalf of the directors

Geoff Marshall
Chairman

15 March 2011

Independent Auditors' Review Report

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Chartered Accountants
& Business Advisers

To the members of e-Business Systems Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of e-Business Systems Ltd, which comprises the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises e-Business Systems Ltd (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of e-Business Systems Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

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Albert Loots

Partner

Dated at Brisbane this 15th day of March 2011

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