e-business systems ltd

ACN 107 353 695

Annual Financial Report

Year ended 30 June 2011

CORPORATE INFORMATION

DIRECTORS
Geoff Marshall (Non-executive Chairman)
Agim Isai (Group Managing Director)
Paul Lynch (Non-executive director appointed 8 September 2010)
David Glavonjic (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 2011.

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)

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 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.

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.

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.

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 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	16,929,555	nil	nil
Paul Lynch	nil	nil	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 2011 was $110,659 (2010: $226,040).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2010: $Nil).

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 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	11	11
Agim Isai	11	11
Paul Lynch (appointed 08/09/10)	10	10
David Glavonjic (resigned 31/07/10)	-	1

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 2011 there were no options on issue.

During the year ended 30 June 2011 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 that 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 2011 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 that 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 year ended 30 June 2011 is detailed in this remuneration report.

(a) Details of Directors & Other Key Management Personnel During the 2011 Financial Year

Directors

Geoff Marshall	Non-Executive Chairman
Agim Isai	Group Managing Director
Paul Lynch	Non-Executive Director (appointed 8 September 2010)
David Glavonjic	Non-Executive Director (resigned 31 July 2010)

Key Management Personnel

Scott Hartwell	Chief Financial Officer (resigned effective 30 November 2010)

(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 2011.

2011	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	**$**	**$**	**$**	**$**	**$**	**$**	**$**		
Geoff Marshall	60,000	-	-	-	-	-	60,000	-	-
Agim Isai	239,118	-	-	21,520	-	-	260,638	-	-
Paul Lynch	30,000	-	-	-	-	-	30,000	-	-
David Glavonjic	-	-	-	-	-	-	-	-	-
	329,118	-	-	21,520	-	-	350,638		
Key Management Personnel									
Scott Hartwell	[1] 118,427	-	-	11,431	-	-	129,858	-	-
	447,545	**-**	**-**	**32,951**	**-**	**-**	**480,496**		

[1] Includes unused annual leave payments and salary up to 30 November, 2011

2010	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	**$**	**$**	**$**	**$**	**$**	**$**	**$**		
Geoff Marshall	24,233	-	-	-	-	-	24,233	-	-
Agim Isai	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**		

(c) Shares Granted During the Year Ended 30 June 2011

No shares in the Company were granted as compensation to directors and key management personnel during the reporting period. The following shares were granted in the prior financial year:

	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.

(d) Additional Information

The factors that are considered to affect shareholder return since the Consolidated Entity's listing on the NSX are summarised below:

Measures	2011 $	2010 $	2009 $	2008 $
Share price at end of financial year	0.20	0.20	0.20	0.20
Earnings/(loss) per share (cents)	0.14	0.28	(2.12)	(4.20)
Profit/(loss) for the financial year	110,659	226,040	(1,580,980)	(1,838,553)
Revenue for the financial year	18,087,670	21,104,356	12,965,852	109,501
Director & Key Management Personnel remuneration	480,496	588,253	546,177	417,050

The Board considers the Consolidated Entity's performance in the above matters when setting remuneration.

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

No non-audit services were performed by PKF, the Consolidated Entity's current auditor, during the year.

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

Chairman

Brisbane
9 September 2011

Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the Directors of e-Business Systems Ltd and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

Albert Loots
Partner

Dated at Brisbane this 9th day of September 2011

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Statement of Comprehensive Income
For the Year Ended 30 June 2011

	Note	Consolidated 2011 $	2010 $
Revenue	2	18,087,670	21,104,356
Cost of sales		(15,343,088)	(16,305,696)
Gross profit		2,744,582	4,798,660
Administration expenses		(822,418)	(889,938)
Employee benefit expenses		(1,058,443)	(3,148,266)
Marketing expenses		(182,435)	(85,841)
Leasing expenses		(312,240)	(291,089)
Depreciation and amortisation expense		(208,257)	(111,486)
Impairment of receivables		(12,297)	(6,061)
Finance costs expense		(25,639)	(44,262)
Profit/ before income tax		122,853	221,717
Income tax benefit/(expense)	3	(12,194)	4,323
Profit/ after income tax expense		110,659	226,040
Other comprehensive income		-	-
Total comprehensive income		110,659	226,040
Earnings per share			
Basic earnings per share		0.14	0.28
Diluted earnings per share		0.14	0.28

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

Balance Sheet
As at 30 June 2011

	Note	Consolidated 2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	16	729,127	1,004,220
Trade and other receivables	4	3,523,152	2,694,254
Inventories	5	85,865	93,109
Income tax receivable		-	51,764
Other current assets	6	49,338	49,931
TOTAL CURRENT ASSETS		4,387,482	3,893,278
NON-CURRENT ASSETS			
Property, plant and equipment	8	171,788	204,281
Intangible assets	7	462,843	485,615
Deferred tax assets	3	178,152	190,346
TOTAL NON-CURRENT ASSETS		812,783	880,242
TOTAL ASSETS		5,200,265	4,773,520
CURRENT LIABILITIES			
Trade and other payables	9	3,676,074	3,183,105
Interest bearing loans and borrowings	10	146,964	121,946
Provisions	11	269,610	361,025
TOTAL CURRENT LIABILITIES		4,092,648	3,666,076
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	10	27,577	149,891
Provisions	11	11,828	-
TOTAL NON-CURRENT LIABILITIES		39,405	149,891
TOTAL LIABILITIES		4,132,053	3,815,967
NET ASSETS		1,068,212	957,553
EQUITY			
Share capital	12	1,412,265	1,412,265
Accumulated losses		(344,053)	(454,712)
TOTAL EQUITY		1,068,212	957,553

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 2011

	Consolidated		
	Share Capital	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	39,000	-	39,000
Comprehensive income			
Profit after income tax	-	226,040	226,040
Other comprehensive income	-	-	-
Balance at 30 June 2010	1,412,265	(454,712)	957,553
Balance at 1 July 2010	1,412,265	(454,712)	957,553
Comprehensive income			
Profit after income tax	-	110,659	110,659
Other comprehensive income	-	-	-
Balance at 30 June 2011	1,412,265	(344,053)	1,068,212

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 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		19,144,733	21,908,782
Payments to suppliers and employees		(19,204,058)	(21,141,133)
Interest received		8,399	5,919
Finance costs		(25,639)	(44,262)
Income tax paid		51,764	(51,764)
Net cash provided by/ (used in) operating activities	16	(24,801)	677,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(24,097)	(95,315)
Payments for intangible assets		(128,895)	(98,430)
Net cash used in investing activities		(152,992)	(193,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(97,300)	(117,096)
Net cash provided used in financing activities		(97,300)	(117,096)
Net increase/(decrease) in cash held		(275,093)	366,701
Cash at the beginning of the financial year		1,004,220	637,519
Cash at the end of the financial year		729,127	1,004,220

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).

The financial statements for the Consolidated Entity are for the year ended 30 June 2011.

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 2011.

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 9 September 2011 by the directors. The directors have the power to amend this financial report after issue if required.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements of the e-Business Systems Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

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 historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates – impairment
The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Accounting Policies

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by e-Business Systems Limited at the end of the reporting period. A controlled entity is any entity over which e-Business Systems Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Income Tax

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.

c. Inventories

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

d. 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.

e. 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.

<u>Plant & Equipment</u>
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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Property, Plant & Equipment

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:

Class of Fixed Asset	Depreciation Rate
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.

f. 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.

g. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments

Amortised cost is calculated as:

- The amount at which the financial asset or financial liability is measured at initial recognition;
- Less principal repayments;
- 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
- 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.

h. 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.

i. Intangibles

Software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

j. 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.

k. Provisions

Provisions are recognised when the Consolidated Entity 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. 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.

m. 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.

n. 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.

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).

o. 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.

p. Comparative Figures

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

q. New Accounting Standards & Interpretations

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the period:

- 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.'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions'.
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'.
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

There were no material impacts on the financial statements or performance of the Consolidated Entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. New Standards & Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 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 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement 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. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 124 Related Party Disclosures (December 2009)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the Consolidated Entity when an asset is transferred but is not utilized and new disclosure required when assets are utilized but the Consolidated Entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Consolidated Entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 10: 'Consolidated Financial Statements'
This standard replaces the part of AASB 27: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Group resulting in more assets and liabilities on the books. The Consolidated Group is currently assessing the impact of this standard.

AASB 11: 'Joints Arrangements'
This standard replaces AASB 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Group will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Group is currently assessing the impact of this standard.

AASB 12: ' Disclosure of interest in other Entities'
This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Consolidated Group is assessing the impact of this standard.

AASB 13: 'Fair Value Measurement'
This standard establishes a single course of guidance for determining the fair value of assets and liabilities. The Consolidated Group is currently assessing the impact of this standard.

	Consolidated	
	2011	2010
	$	$

NOTE 2 REVENUE

Sales revenue	12,400,302	14,154,090
Services revenue	5,654,375	6,849,441
Interest revenue	8,399	5,919
Other revenue	24,594	94,906
	18,087,670	21,104,356

NOTE 3 INCOME TAX

Income Tax Expense

Current tax expense		
Current tax movements	(7,108)	-
(Over)/under provisions	-	-
Deferred tax expense		
Current year movements in deferred tax	16,302	(7,845)
(Over)/under provisions	3,000	3,532
Income tax expense/(benefit)	12,194	(4,323)

Reconciliation of income tax expense (benefit) applicable to accounting profit before income tax

Profit/(loss) before income tax	122,853	221,717
At income tax rate of 30% (2010: 30%)	36,856	66,515
Non-deductible expenses	7,041	18,921
Deferred tax assets not previously brought to account	(34,703)	(93,290)
(Over)/under provisions	3,000	3,531
Income tax expense/(benefit)	12,194	(4,323)

Deferred Tax Assets

Amounts recognised in the statement of comprehensive income		
Provision for obsolete stock	1,892	1,892
Employee benefits	80,883	108,308
Accrued expenses	8,178	34,759
Tax losses	87,199	45,387
	178,152	190,346
Amounts set-off against deferred tax liabilities	-	-
Net deferred tax asset	178,152	190,346

NOTE 3 INCOME TAX (continued)

	Consolidated 2011 $	Consolidated 2010 $
Movements in deferred tax asset		
Opening balance	190,346	191,632
(Over)/under provisions	(3,000)	(3,532)
Provision for doubtful debts	-	(2,075)
Provision for obsolete stock	-	1,892
Employee benefits	(27,425)	49,575
Accrued expenses	(26,581)	3,964
Tax losses	44,812	(51,110)
	178,152	190,346
Amounts set-off against deferred tax liabilities	-	-
Closing balance	178,152	190,346

Deferred tax liabilities

	2011 $	2010 $
Movements in deferred tax liability		
Opening balance	-	5,609
(Over)/under provisions	-	-
Prepayments	-	(5,609)
	-	-
Amounts set-off against deferred tax assets	-	-
	-	-

NOTE 4 RECEIVABLES

	2011 $	2010 $
Trade receivables	3,447,059	2,668,218
Allowance for impairment	-	-
	3,447,059	2,668,218
Other receivables	76,093	26,036
	3,523,152	2,694,254

NOTE 5 INVENTORIES

	2011 $	2010 $
Work in progress	45,131	54,170
Finished goods	47,041	45,246
Allowance for impairment	(6,307)	(6,307)
	85,865	93,109

	Consolidated 2011 $	Consolidated 2010 $
NOTE 6 OTHER ASSETS		
Bonds/deposits	25,700	27,200
Prepayments	23,638	22,731
	49,338	49,931
NOTE 7 INTANGIBLE ASSETS		
Software – at cost	702,171	573,277
Accumulated amortisation	(239,328)	(87,662)
	462,843	485,615
Movements in carrying amounts		
Balance at beginning of year	485,615	292,444
Additions	128,895	256,097
Amortisation expense	(151,667)	(62,926)
Balance at end of year	462,843	485,615
NOTE 8 PROPERTY, PLANT & EQUIPMENT		
Plant and equipment – at cost	418,255	398,612
Accumulated depreciation	(297,137)	(259,232)
	121,118	139,380
Leasehold improvements	78,782	74,327
Accumulated depreciation	(28,112)	(9,426)
	50,670	64,901
Property, plant and equipment	171,788	204,281

Movements in carrying amounts

	Plant and Equipment $	Leasehold Improvements $	Total $
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	139,380	64,901	204,281
Balance at 1 July 2010	139,380	64,901	204,281
Additions	19,643	4,454	24,097
Depreciation expense	(37,905)	(18,685)	(56,590)
Balance at 30 June 2011	121,118	50,670	171,788

	Consolidated 2011 $	Consolidated 2010 $
NOTE 9 TRADE & OTHER PAYABLES		
Trade payables	2,710,978	2,214,109
Other payables and accrued expenses	758,787	927,049
Unearned revenue	206,309	41,947
	3,676,074	3,183,105
NOTE 10 INTEREST-BEARING LOANS & BORROIWNGS		
Current:		
Lease liability - secured	146,964	121,946
Non-Current:		
Lease liability - secured	27,577	149,891
NOTE 11 PROVISIONS		
Current:		
Employee benefits	269,610	361,025
Non-Current:		
Employee benefits	11,828	-
NOTE 12 SHARE CAPITAL		
80,823,100 fully paid ordinary shares (2010: 80,823,100)	1,412,265	1,412,265

	2011 Number	2010 Number	2011 $	2010 $
<u>Movements during the year</u>				
Balance at beginning of year	80,823,100	79,936,736	1,412,265	1,373,265
Share based payments	-	886,364	-	39,000
Balance at end of year	80,823,100	80,823,100	1,412,265	1,412,265

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 are 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 2011 no options were on issue.

NOTE 13 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year (2010: $Nil). There were $496,000 franking credits available to the shareholders of the Consolidated Entity.

NOTE 14 AUDITORS' REMUNERATION

	2011 $	2010 $
<u>Remuneration for the auditor of the Group for:</u>		
- audit and review of the financial report	19,500	19,000
- taxation services	-	6,200
	19,500	25,200

	Consolidated	
	2011	2010
	$	$

NOTE 15 COMMITMENTS

Finance leases - minimum lease payments		
Within one year	157,327	148,303
One year or later and no later than five years	28,176	153,891
	185,503	302,194
Less future finance charges payable		
Within one year	(10,363)	(26,357)
One year or later and no later than five years	(599)	(4,000)
	(10,962)	(30,357)
Lease liabilities provided for in these financial statements:		
Current liability (Note 10)	146,964	121,946
Non-current liability (Note 10)	27,577	149,891
Total Lease Liabilities	174,541	271,837
Operating leases for rental of premises and equipment – minimum lease payments		
Within one year	189,018	262,921
One year or later and no later than five years	42,490	203,796
	231,508	466,717

NOTE 16 CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	110,659	226,040
Non-cash items in loss after income tax		
Depreciation and amortisation	208,257	111,486
Impairment of receivables	12,297	6,061
Impairment of inventory	-	(5,463)
Share based payments	-	39,000
Movements in assets and liabilities		
Receivables	(841,195)	(1,239,556)
Inventories	7,244	48,186
Other assets	593	(3,852)
Tax assets	63,953	(56,087)
Trade payables and accruals	353,418	1,436,930
Unearned income	164,362	(50,452)
Provisions	(79,588)	165,249
Cash flow from operations	(24,801)	677,542

Total cash and cash equivalents

Cash on hand	500	562
Cash at bank	728,627	1,003,658
	729,127	1,004,220

The consolidated entity has access to an overdraft facility of $250,000. As at the date 30 June 2011 $250,000 was unused.

	Consolidated 2011 $	Consolidated 2010 $
NOTE 17 EARNINGS PER SHARE		
Earnings used to calculate basic and dilutive EPS	110,659	226,040
	2011 Number	**2010 Number**
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	80,347,135	80,347,135

NOTE 18 SHARE-BASED PAYMENTS

There were no share based payments made during the year ended 30 June 2011.

During the prior 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 PERSONEL

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 2011 Financial Year

Directors

Geoff Marshall	(Non-executive Chairman)
Agim Isai	(Group Managing Director)
Paul Lynch	(Non-executive director appointed 8 September 2010)
David Glavonjic	(Non-executive director resigned 31 July 2010)

Key Management Personnel

Scott Hartwell	Chief Financial Officer (resigned effective 30 November 2011)

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.

Summary	Consolidated 2011 $	Consolidated 2010 $
Short-term employee benefits	458,976	505,747
Post-employment benefits	21,520	43,506
Share-based payments	-	39,000
	480,496	588,253

Key Management Personnel Shareholdings

2011	Balance 1 July 2010	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2011
Director					
Geoff Marshall	-	-	-	-	-
Agim Isai	19,882,931	-	-	(3,000,000)	16,882,931
Paul Lynch	-	-	-	-	-
David Glavonjic	2,727,099	-	-	(2,727,099)	-
	22,610,030	-	-	(5,727,099)	16,882,931

NOTE 19 RELATED PARTIES & KEY MANAGEMENT PERSONEL (Continued)

Key Management Personnel					
Scott Hartwell	11,580,169	-	-	[1] (11,580,169)	-
	34,190,199	-	-	(17,307,268)	16,882,931

[1] Balance held on resignation

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	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
	34,267,962	886,364	-	-	35,154,326

Key Management Personnel Option Holdings

2011	Balance 1 July 2010	Granted as Remuneration	On Exercise of Options	Expired	Balance 30 June 2011
Director					
Geoff Marshall	-	-	-	-	-
Agim Isai	-	-	-	-	-
Paul Lynch	-	-	-	-	-
David Glavonjic	-	-	-	-	-
	-	-	-	-	-

There are no options outstanding that were still capable of being exercised at the end of the 2011 year all option previously granted had lapsed without being exercised.

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 2010 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.

Transactions with Director Related Parties
There were no related party transactions by or affecting the related entity during the financial year (2010: $Nil)

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 2011 (2010: $Nil).

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 receivables credit 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 2011.

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

	Consolidated	
Summary exposure	2011	2010
	$	$
Cash and cash equivalents	729,127	1,004,220
Trade receivables	3,447,059	2,668,218
Other receivables	76,093	26,036
	4,252,279	3,698,474
Ageing of trade receivables		
Not past due	2,781,161	2,420,810
Past due 0-90 days	605,379	157,493
Past due >90 days	60,519	89,914
	3,447,059	2,668,217

None of the past due receivables at 30 June 2011 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 are large financial institutions with strong credit ratings.

NOTE 20 FINANCIAL RISK MANAGEMENT (Continued)

(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 besides fully drawn finance lease facilities.

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 2011. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

Consolidated	Trade and other payables $	Finance leases $	Total $
2011			
Less than one year	3,676,074	157,327	3,833,401
One to five years	-	28,176	28,176
Greater than five years	-	-	-
	3,676,074	185,503	3,861,577
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

(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 2011, 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	
Impact on profit and equity	2011 $	2010 $
+1.00% (100 basis points)	5,104	7,029
-1.00% (100 basis points)	(5,104)	(7,029)

NOTE 20 FINANCIAL RISK MANAGEMENT (Continued)

(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 management team 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 2011 (2010: $Nil).

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.

	2011	2010
	$	$
Parent Entity Financial Information		
Current assets	4,390,141	3,844,409
Non-current assets	691,540	760,648
Total assets	5,081,681	4,605,057
Current liabilities	4,068,420	3,599,070
Non-current liabilities	39,404	136,699
Total liabilities	4,107,824	3,735,769
Net assets	973,857	869,288
Share Capital	1,412,265	1,412,265
Accumulated losses	(438,408)	(542,977)
Total Equity	973,857	869,288
Profit after income tax	104,569	113,383
Other comprehensive income	-	-
Total comprehensive income	104,569	113,383

NOTE 23 PARENT ENTITY INFORMATION (Continued)

Controlled Entities of the Parent Entity

	Country of Incorporation	Percentage Owned	
		2011	2010
		%	%
Corpnet (Australia) Pty Ltd	Australia	100%	100%
Safeworld Australia and New Zealand Pty Ltd	Australia	100%	100%
Spheritec Pty Ltd	Australia	100%	100%

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.

Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to Note 15 for details.

The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date.

NOTE 24 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2011 that impact upon the financial report as at 30 June 2011.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto and the Remuneration Report included in pages 7 to 9 of the directors' report comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;

- 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

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

Chairman

Brisbane
9 September 2011

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S 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 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of e-Business Systems Ltd and its controlled entities ("the consolidated entity"). The consolidated entity comprises the company 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 entity'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 entity'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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GPO Box 1078 | Brisbane | Queensland 4001

Chartered Accountants
& Business Advisers

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 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes 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 pages 7 to 9 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of e-Business Systems Ltd for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

PKF

PKF

Albert Loots
Partner

Dated at Brisbane this 9th day of September 2011