

E-BUSINESS SYSTEMS LTD  
A.C.N. 107 353 695  
(Formerly SafeWorld Australia Ltd)

UNAUDITED FINANCIAL STATEMENTS

FOR THE 5 MONTHS

ENDED 30 NOVEMBER 2007

**E-BUSINESS SYSTEMS LTD**  
**A.C.N. 107 353 695**  
**(Formerly SafeWorld Australia Ltd)**

**INCOME STATEMENTS**  
**FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

	Notes	Consolidated		Parent Entity	
		Nov 2007	Jun 2007	Nov 2007	Jun 2007
		\$	\$	\$	\$
Revenue	3	75,919	3,968	2,822	3,968
Expenses	4	444,858	770,421	-	899,424
Finance costs		-	-	-	-
Profit/(loss) before income tax expense		(368,939)	(766,453)	2,822	(895,456)
Income tax benefit/(expense)	5	-	-	-	-
Net profit/(loss)		(368,939)	(766,453)	2,822	(895,456)

**E-BUSINESS SYSTEMS LTD**  
**A.C.N. 107 353 695**  
**(Formerly SafeWorld Australia Ltd)**

**BALANCE SHEETS AS AT 30 NOVEMBER 2007**

	Notes	Consolidated		Parent Entity	
		Nov 2007	Jun 2007	Nov 2007	Jun 2007
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents		228,099	242,112	71,859	236,037
Trade and other receivables	6	37,365	5,979	1,662,000	1,495,000
<b>Total Current Assets</b>		<b>265,464</b>	<b>248,091</b>	<b>1,733,859</b>	<b>1,731,037</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	7	102,937	10,123	-	-
Intangible assets	9	2,338,637	2,338,637	-	-
Other financial assets	8	4,962	-	3,679,100	2,500,000
<b>Total Non-Current Assets</b>		<b>2,446,536</b>	<b>2,348,760</b>	<b>3,679,100</b>	<b>2,500,000</b>
<b>Total Assets</b>		<b>2,712,000</b>	<b>2,596,851</b>	<b>5,412,959</b>	<b>4,231,037</b>
<b>Current Liabilities</b>					
Trade and other payables	10	205,4605	17,155	-	-
Interest bearing loans	11	24,288	-	-	-
<b>Total Current Liabilities</b>		<b>229,748</b>	<b>17,155</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>					
Interest bearing loans	11	41,894	-	-	-
<b>Total Non-Current Liabilities</b>		<b>41,894</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>271,642</b>	<b>17,155</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>2,440,358</b>	<b>2,579,696</b>	<b>5,412,959</b>	<b>4,231,037</b>
<b>EQUITY</b>					
Share capital	12	8,849,507	7,670,407	8,849,507	7,670,407
Accumulated losses		(6,409,149)	(5,090,711)	(3,436,548)	(3,439,370)
<b>TOTAL EQUITY</b>		<b>2,440,358</b>	<b>2,579,696</b>	<b>5,412,959</b>	<b>4,231,037</b>

**E-BUSINESS SYSTEMS LTD**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**AS AT 30 NOVEMBER 2007**

**Consolidated**

<b>Nov 2007</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
Total at the beginning of the period	7,670,407	(5,090,711)	2,579,696
Shares issued during the period	1,179,100	-	1,179,100
Profit (loss) for period	-	(1,318,438)	(1,318,438)
Total equity at the end of the period	<u>8,849,507</u>	<u>(6,409,149)</u>	<u>2,440,358</u>

<b>Jun 2007</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
Total at the beginning of the period	6,304,419	(4,324,258)	1,980,161
Shares issued during the period	799,138	-	799,138
Options issued during the period	566,850	-	566,850
Profit (loss) for period	-	(766,453)	(766,453)
Total equity at the end of the period	<u>7,670,407</u>	<u>(5,090,711)</u>	<u>2,579,696</u>

**Parent**

<b>Nov 2007</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
Total at the beginning of the period	7,670,407	(3,439,370)	4,231,037
Shares issued during the period	1,179,100	-	1,179,100
Profit (loss) for period	-	2,822	2,822
Total equity at the end of the period	<u>8,849,507</u>	<u>(3,436,548)</u>	<u>5,412,959</u>

<b>Jun 2007</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
Total at the beginning of the period	6,304,419	(2,543,914)	3,760,505
Shares issued during the period	799,138	-	799,138
Options issued during the period	566,850	-	566,850
Profit (loss) for period	-	(895,456)	(895,456)
Total equity at the end of the period	<u>7,670,407</u>	<u>(3,439,370)</u>	<u>4,231,037</u>

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**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

Notes	Consolidated		Parent Entity	
	Nov 2007	Jun 2007	Nov 2007	Jun 2007
	\$	\$	\$	\$
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	67,707	-	-	-
Payments to suppliers and employees	(381,348)	(448,560)	-	(899,449)
Payments towards development contribution	-	-	-	-
Interest received	4,006	3,788	2,822	3,968
GST Recovered/ (Paid)	(14,173)	32,427	-	-
Net cash provided by operating activities	19(ii) (323,808)	(412,345)	2,822	(895,481)
<b>Cash Flows From Investing Activities</b>				
Payments for plant and equipment	(8,958)	-	-	-
Payments for shares in subsidiaries	-	-	-	-
Cash in subsidiary acquired	123,753	-	-	-
<b>Net cash provided by/(used in) investing activities</b>	114,795	-	-	-
<b>Cash Flows from Financing Activities</b>				
Proceeds from subsidiary share issue	195,000	566,850	-	1,316,013
Proceeds from application monies	-	-	-	-
Share issue expenses	-	-	-	-
Loans to subsidiaries	-	-	(167,000)	(215,000)
<b>Net cash provided by/(used in) financing activities</b>	195,000	566,850	1,101,013	1,101,013
<b>Net increase/(decrease) in cash held</b>	(14,013)	154,505	(164,178)	205,532
<b>Cash at the beginning of the financial year</b>	242,112	87,607	236,037	30,505
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	19(i) 228,099	242,112	71,859	236,037

# E-BUSINESS SYSTEMS LTD

## A.C.N. 107 353 695

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007

#### 1. INTRODUCTION

e-Business Systems Ltd is a public company limited by shares and is incorporated in Australia. The financial statements of e-Business Systems Ltd (which have not been audited) are for the period of five months from 1 July 2007 to 30 November 2007.

The comparative figures are for the period of eleven months from 1 August 2006 to 30 June 2007 including e-Business Systems Ltd and its wholly-owned subsidiary SafeWorld Australia & New Zealand Pty Ltd on a consolidated basis.

The figures shown for the period of five months ended 30 November 2007 have been prepared, for ease presentation, so as to show Spheritec Ltd as a wholly-owned subsidiary. This is so even though Spheritec Ltd is currently 91.66% owned and despite the company having no shareholding in it until after the start of the period in question. This approach has been adopted on the basis that the company is now proceeding to compulsory acquisition of the outstanding minority interests.

#### Operations and Principal Activities

The principal activity of the consolidated entity during the period has been the funding of the development contribution payable under the master distribution agreement with IBS-(BVI) Ltd relating to the Safe Worlds technology. This funding obligation was fully satisfied during the period ended 30 June 2007.

#### Currency

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

#### Registered Office

The registered office of e-Business Systems Ltd is situated at suite 22, 36 Agnes Street, Fortitude Valley, Queensland, 4006.

#### Authorisation of Financial Report

The financial report was authorised for issue on 19 December 2007.

#### Ultimate Parent Entity

The ultimate parent entity is e-Business Systems Ltd.

#### 2. SUMMARY OF ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

##### (a) Revenue Recognition

###### *Interest Income*

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

##### (b) Receivables

Trade accounts receivable and other receivables represent the principal amounts due at balance date less any provision for doubtful accounts.

##### (c) Property, Plant and Equipment

All property, plant and equipment are stated at cost.

Plant and equipment are stated in the financial statements at cost. All plant and equipment are depreciated over their estimated useful lives using the straight line method starting from the time the assets are held ready for use. The average depreciation rates per class of asset are as follows:

Plant and equipment	10-20%
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**(d) Income Tax**

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

*Tax Consolidation System*

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

At the date of this report the directors have not assessed the financial effect, if any, the legislation may have on the company and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the company has not been recognised in the financial statements.

**(e) Leases**

Operating lease expense is recognised as an expense on a straight line basis over the lease term.

**(f) Impairment**

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

**(g) Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets not measured at fair value comprise loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

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**(h) Payables**

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

**(i) Intangibles**

Costs associated with the initial acquisition of the Safe Worlds technology distribution rights for Australia and New Zealand are capitalised as intangible assets. The directors review the carrying value of intangibles to ensure the carrying value does not exceed their recoverable amount and, when an impairment in value has arisen, the intangible asset is written down.

**(j) Principles of Consolidation**

Subsidiaries are entities controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control starts until the date that control ceases.

**(k) New Standards and Interpretations Not Yet Adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 November 2007 but have not been applied in preparing these financial statements:

AASB 101 'Presentation of Financial Statements (October 2006)' has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB7 'Financial Instruments: Disclosures' and AASB 2005-10 'Amendments to Australian Accounting Standards [AASB132, AASB114, AASB117, AASB133, AASB139, AASB1, AASB4, AASB1023 & AASB1038]'. AASB7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements but will impact the type of information disclosed in relation to the Company's financial instruments.

AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED151 and other amendments.' AASB 2007-4 is applicable to reporting periods beginning on or after 1 July 2007. The Company has not early adopted the amending standard and has no plans to adopt accounting policy options with effect from 1 July 2007. Application of the amending standard will not affect any of the amounts recognised in the financial statements and is expected to impact only disclosures contained within the financial report.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

	Consolidated		Parent Entity	
	Nov 2007	Jun 2007	Nov 2007	Jun 2007
	\$	\$	\$	\$
<b>3. NON-OPERATING REVENUE</b>				
<b>Non-Operating Revenue:</b>				
Interest	4,006	3,968	2,822	3,968
<b>Total Non-operating Revenue</b>	<b>4,006</b>	<b>3,968</b>	<b>2,822</b>	<b>3,968</b>
<b>4. EXPENSES</b>				
Classification of expenses by nature:				
Cost of sales	8,136	-	-	-
Marketing and prospectus costs	62,659	-	-	-
Write-down inter-company loan receivable	-	-	-	150,000
Depreciation	-	10,009	-	-
Renegotiation of existing commercial agreement	-	749,138	-	-
Consultancy fees	269,015	-	-	-
Employee costs	-	-	-	-
Payments towards development contribution	-	-	-	-
Administration costs	71,049	11,274	-	-
Operating lease - premises	18,397	-	-	-
Other Expenses	15,602	-	-	749,424
<b>Total Expenses</b>	<b>444,858</b>	<b>770,421</b>	<b>-</b>	<b>899,424</b>
<b>5. INCOME TAX</b>				
Explanation of the relationship between tax expense and accounting profit:				
Prima facie tax expense/(benefit) on profit before tax (calculated at 30%)	(110,682)	(229,936)	847	(268,637)
Non-deductible expenses	-	-	-	45,000
Other	-	-	-	-
Deferred tax assets not brought to account	110,682	229,936	(847)	223,637
Income tax expense/(benefit)	-	-	-	-
Deferred tax assets have not been brought to account because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable. The total deferred tax asset not brought to account is \$822,308 (Jun 2007: \$711,626).				
<b>6. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	4,904	5,979	-	-
Non-trade receivables	32,461	5,979	-	-
Receivable from controlled entities	-	-	1,662,000	1,495,000
	<b>37,365</b>	<b>5,979</b>	<b>1,662,000</b>	<b>1,495,000</b>
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>				
Plant & equipment at cost	147,684	33,462	-	-
Accumulated depreciation	(44,747)	(23,339)	-	-
	<b>102,937</b>	<b>10,123</b>	<b>-</b>	<b>-</b>
<b>Movements in plant and equipment</b>				
Balance at the beginning of the year	10,123	20,132	-	-
Assets in subsidiary acquired	83,856	-	-	-
Additions	8,958	-	-	-
Depreciation expense	-	(10,009)	-	-
Balance at the end of year	<b>102,937</b>	<b>10,123</b>	<b>-</b>	<b>-</b>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

	Consolidated		Parent Entity	
	Nov 2007	Jun 2007	Nov 2007	Jun 2007
	\$	\$	\$	\$
<b>8. OTHER FINANCIAL ASSETS</b>				
Investments in controlled entities at cost	-	-	3,679,100	2,500,000
<b>9. INTANGIBLES</b>				
Master distribution rights at cost	2,338,637	2,338,637	-	-
<p>Master distribution rights at cost represent distribution rights for the Safe Worlds technology in Australia &amp; New Zealand under the master distribution agreement entered into with IBS-(BVI) Ltd on 14 September 2005. The carrying value of the relevant rights in the statement of financial performance has been determined by the acquisition transaction under which e-Business Systems Ltd acquired the whole of the issued share capital of SafeWorld Australia &amp; New Zealand Pty Ltd on 31 July 2004.</p> <p>Further sums (not included in the amount shown) have been paid to IBS-(BVI) Ltd for the development of the Safe Worlds technology since 31 July 2004. This has been the case both during the period under review (the period ended 30 June 2007) as well as during the prior year. All such sums have been fully expensed without being capitalised in the statement of financial position. The directors have chosen to take a prudent view and not reflect these further sums in the statement of financial position (therefore leaving the original cost figure without any increase) on the basis that development is still continuing. The recoverable amount is dependent upon the successful commercialisation of the Safe Worlds technology and is therefore subject to material uncertainty.</p>				
<b>10. TRADE AND OTHER PAYABLES</b>				
Trade accounts payable and accruals	205,460	17,155	-	-
Share application monies	-	-	-	-
	205,460	17,155	-	-
<p>Included above are amounts payable by the consolidated entity to director related entities totalling \$187,000 (Jun 2007: \$6,554)</p>				
<b>11. INTEREST BEARING LOANS</b>				
<b>Current</b>				
Finance leases	24,288	-	-	-
	24,288	-	-	-
<b>Non-Current</b>				
Finance leases	41,894	-	-	-
	41,894	-	-	-
<p>Lease liabilities are subject to recourse by the lessor against the leased assets</p> <p>Commitments in relation to finance leases are payable as follows:</p>				
Not later than one year	31,371	-	-	-
Later than one year but not later than five years	46,565	-	-	-
	77,936	-	-	-
Less future finance charges	(11,754)	-	-	-
Lease liability	66,182	-	-	-
Represented by:				
Current liability	24,288	-	-	-
Non-current liability	41,894	-	-	-
	66,182	-	-	-

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

	Consolidated		Parent Entity	
	Nov 2007	Jun 2007	Nov 2007	Jun 2007
	\$	\$	\$	\$
<b>12. SHARE CAPITAL</b>				
<b>Ordinary Shares</b>				
Issued and paid up capital	8,282,657	7,103,557	8,282,657	7,103,557
Options issued	566,850	566,850	566,850	566,850
	8,849,507	7,670,407	8,849,507	7,670,407

**Movement in parent entity shares on issue**

	Nov 2007		Jun 2007	
	No. of Shares	\$	No. of Shares	\$
Beginning of the financial period	37,456,913	7,103,557	33,461,222	6,304,419
6,721,075 shares issued at \$0.175 a share	6,721,075	1,179,100	-	-
250,000 shares issued at \$0.20 a share	-	-	250,000	50,000
3,745,691 shares issued in renegotiation of existing commercial agreement	-	-	3,745,691	749,138
Less share issue costs	-	-	-	-
End of financial period	44,177,988	8,282,657	37,456,913	7,103,557

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.

**Options over parent entity ordinary shares**

As at 30 November 2007 the following options were on issue:

Number of options	Vesting Date	Exercise Price	Expiry Date	Terms and Conditions
150,000	1/10/05	\$0.20	30/09/08	Subject to the consultancy agreement with D&K Ventures Pty Ltd still being current on the 30th September immediately preceding
150,000	1/10/06	\$0.20	30/09/08	
200,000	1/10/07	\$0.20	30/09/08	
15,807,000	immediate	\$0.15	30/06/10	

**13. AUDITORS' REMUNERATION**

Audit of financial reports	-	6,000	-	-
Other services; preparation of financial reports	-	2,000	-	-
	-	8,000	-	-

**14. 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 company.

Short-term employee benefits	-	110,000	-	-
Long-term employee benefits	-	-	-	-
Post-employment benefits	-	-	-	-
	-	110,000	-	-

**15. SEGMENT REPORTING**

The consolidated entity operates in one business segment being software development, and predominantly in one geographical segment, being Australia.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**16. RELATED PARTY TRANSACTIONS**

Names of directors holding office at any time during the period were:

**Nov 2007**

RJ Soper  
RH Krause  
DS Glavonjic  
JJ Martineau

**Jun 2007**

RJ Soper  
RH Krause  
DS Glavonjic (appointed on 22 March 2007)  
JJ Martineau

**i) Directors' Remuneration**

Payments made to directors or entities associated with directors are included in sums shown in note 13 and comprise consulting fees as disclosed below. No fees were paid during the year to directors or entities associated with the directors for their services as directors.

**ii) Wholly-Owned Controlled Group**

All transactions between companies in the wholly owned controlled group have been eliminated in the financial statements of the consolidated entity.

**iii) Director Related Entities**

The consolidated entity was invoiced by Ipseity Pty Ltd, a company associated with RJ Soper, for consulting fees totalling \$3485 in respect of the period (Jun 2007: \$368).

The consolidated entity was invoiced by RH Krause for capital raising fees totalling \$9,000 in respect of the period (Jun 2007: \$nil).

The consolidated entity was invoiced by Calthorpe Corporate Consulting Pty Ltd, a company associated with JJ Martineau, for consulting fees totalling \$68,000 in respect of the period (Jun 2007: \$54,863).

The consolidated entity was invoiced by D&K Ventures Pty Ltd, a company associated with DS Glavonjic, for consulting fees totalling \$107,500 in respect of the period (Jun 2007: \$120,000).

<b>iv) Aggregate shares and options held by directors or their related entities</b>	<b>Nov 2007</b>	<b>Jun 2007</b>
Ordinary shares	12,733,591	9,694,024
Options	6,270,000	6,270,000

Included in the above figures are all shares and all options held at the end of the year by persons (including their related entities) serving as directors at any time during the year.

**17. CONTROLLED ENTITIES**

<u>Controlled Entities</u>	<u>Country of Incorporation</u>	<u>Percentage of Shares held</u>	
		<u>Nov 2007</u>	<u>Jun 2007</u>
SafeWorld Australia & New Zealand Pty Ltd	Australia	100%	100%
Spheritec Ltd	Australia	100%	0%

As at 30 November 2007 e-Business Systems Limited was in the compulsory acquisition stage of the takeover of Spheritec Ltd. e-Business Systems had acquired 91.66% of Spheritec Ltd and had an absolute commitment to acquire the remainder. Accordingly, Spheritec Ltd has been accounted for as a 100% subsidiary at 30 November 2007.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

**18. FINANCIAL INSTRUMENTS**

The consolidated entity manages its exposure to interest rate fluctuations through appropriate board oversight. The consolidated entity does not engage in any significant transactions which are speculative in nature.

Exposures of the consolidated entity to interest rate risk on financial assets and liabilities are summarised as follows:

**Nov 2007**

	<b>Fixed Interest Rate Maturing</b>				<b>Total \$</b>	<b>Weighted average effective interest rate</b>
	<b>Non-interest bearing \$</b>	<b>1 year or less \$</b>	<b>1 to 5 Years \$</b>	<b>Floating interest rate \$</b>		
<b>Financial Assets:</b>						
Cash	-	-	-	228,099	228,099	1.70%
Receivables	37,365	-	-	-	37,365	
	<u>37,365</u>	<u>-</u>	<u>-</u>	<u>228,099</u>	<u>265,464</u>	
<b>Financial Liabilities:</b>						
Payables	205,460	24,288	41,894	-	271,642	2.50%
	<u>205,460</u>	<u>24,288</u>	<u>41,894</u>	<u>-</u>	<u>271,642</u>	
Net financial assets/ (liabilities)	<u>(168,095)</u>	<u>(24,288)</u>	<u>(41,894)</u>	<u>228,099</u>	<u>(6,178)</u>	

**Jun 2007**

	<b>Fixed Interest Rate Maturing</b>				<b>Total \$</b>	<b>Weighted average effective interest rate</b>
	<b>Non-interest bearing \$</b>	<b>1 year or less \$</b>	<b>1 to 5 Years \$</b>	<b>Floating interest rate \$</b>		
<b>Financial Assets:</b>						
Cash	-	-	-	242,112	242,112	1.20%
Receivables	5,979	-	-	-	5,979	
	<u>5,979</u>	<u>-</u>	<u>-</u>	<u>242,112</u>	<u>248,091</u>	
<b>Financial Liabilities:</b>						
Payables	17,155	-	-	-	17,155	0.00%
	<u>17,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,155</u>	
Net financial assets/ (liabilities)	<u>(11,176)</u>	<u>-</u>	<u>-</u>	<u>242,112</u>	<u>230,936</u>	

**Credit Risk Exposure**

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets indicated in the balance sheet. The consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties.

**E-BUSINESS SYSTEMS LTD**  
**A.C.N. 107 353 695**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD OF FIVE MONTHS ENDED 30 NOVEMBER 2007**

**19. NOTES TO STATEMENTS OF CASH FLOWS**

- (i) For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>Nov 2007</b>	<b>Jun 2007</b>	<b>Nov 2007</b>	<b>Jun 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	242,112	242,112	236,037	236,037

*(ii) Reconciliation of Net Cash Provided by Operating Activities to Profit After Income Tax*

Profit/(loss) after income tax	(766,453)	(766,453)	(895,456)	(895,456)
Depreciation and amortisation	10,009	10,009		
<b>Changes in assets and liabilities</b>				
Trade accounts receivable	(3,016)	(3,016)	-	-
Trade accounts payable and other liabilities	332,541	332,541	-	-
GST Clearing	14,574	14,574	-	-
	<u>(412,345)</u>	<u>(412,345)</u>	<u>(895,456)</u>	<u>(895,456)</u>

**20. EVENTS SUBSEQUENT TO BALANCE DATE**

There are no significant matters or circumstances that have arisen since the end of the 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 except for ongoing capital raising through option exercise as referred to in the information memorandum to which this document is appended.