APPLABS TECHNOLOGIES LTD

ABN 41 139 977 772

PRELIMINARY FINAL REPORT

Appendix 4E

30 JUNE 2014

Lodged with the ASX under Listing Rule 4.3A

Results for announcement to the market

		2014 $	2013 $
Revenue from ordinary activities	Up 3%	133,213	129,465
(Loss) before income tax	Down 35%	(1,640,560)	(2,531,811)
Total comprehensive gain/(loss) for the year	Down 132%	(1,687,549)	5,210,329

Dividends

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

Review of Operations

Key events for the year to 30 June 2014

Applabs Technologies Ltd completed the disposal of its 100% subsidiaries AACL Services Pty Ltd, AACL Wholesale Pty Ltd and AACL Funds Management Ltd on 25 October 2013. The Company also wound up and de-registered its 100% subsidiary AACL Fertilisers Pty Ltd on 21 August 2013. The gain on disposal of these subsidiaries along with the results of their operations from 1 July 2013 to the date of loss of control have been classified as discontinued operations in accordance with Australian Accounting Standards. The loss after income tax for the year from discontinued operations amounted to $27,188 (2012 profit: $8,026,348)

During the period the Company underwent a significant change in the nature and scale of its activities. At the Annual General Meeting on 21 November 2013 members approved, amongst other things, the change from an agricultural to Technology Company, the acquisition of an App development company and a new name to reflect that change. The Company was then suspended from trading on the ASX whilst it recomplied with Chapters 1 and 2 of the ASX Listing Rules and raised capital under a prospectus.

a) On 28 August 2013 AACL Holdings Ltd (AACL) announced the termination of its Heads of Agreement with Moboom Ltd;

b) On 15 October 2013 AACL announced a binding agreement to acquire 100% of the shares of Applabs Australia Pty Ltd (Applabs) through the issue of ordinary shares in AACL (Applabs Transaction). The Applabs Transaction included a 30:1 consolidation of the Company's securities;

c) On 28 October 2013 AACL issued a prospectus for the issue of 15,000,000 post-consolidation ordinary shares at 20 cents each to raise $3,000,000. The prospectus also confirmed that 6,000,000 ordinary shares would be issued on a post-consolidation basis to the vendors of Applabs;

d) At the 21 November 2013 AGM members approved:
   - the Change to Nature and Scale of Activities;
   - the Consolidation of Capital on a 30:1 basis;
   - the issues of Shares to Vendors of Applabs and Ingenius Labs Pty Ltd;
   - the capital raising under a prospectus; and
   - the Change of Company Name to Applabs Technologies Ltd.

The Company was reinstated to official quotation under the stock ticker 'ALA' from the commencement of trading on 16 December 2013

Key events for the half year to 30 June 2014

Applabs Technologies Ltd is the first ASX listed app development and technology venture fund Company. Applabs offers a unique business model of both an app developer and a technology financer, enabling the Company to produce apps for customers as well as the ability to fund, develop and market exciting leading edge new apps internally. Applabs is also extremely active in acquiring positions in technology companies with a view to helping them list on the ASX as stand-alone entities

Applabs has three distinct revenue divisions being:

Division 1: App Development or "Fee for Service" Division - producing bespoke mobile apps for clients.

The Applabs Fee for Service Division's team specialises in delivering high-quality, forward-thinking mobile apps across iPhone, iPad and Android devices. The division is spearheaded by two outstanding individuals with a wealth of experience in Sales and Marketing in the technology and app space:

Division 2: Venture Capital Division - focused on sourcing and investing in technology companies globally

Since listing the Venture Capital Division, Applabs has acquired and retained equity stakes in several cutting edge technology companies including:

xTV – (USA) www.xtv-inc.com

Backed by Microsoft and health care giant UST Global, xTV allows companies to create their own online, real-time TV network. xTV allows users to combine all of their streaming media into a branded, real-time and interactive TV network, giving the power of information back to the users in a controlled and informative single platform. TV is the next evolution of the 'website' and xTV is pioneering this evolution. Cisco predicts by 2017 that 70% of all internet traffic will be video content.

PAY2DAY Solutions – (USA) www.pay2daysolutions.com

PAY2DAY is an easy, subscription-based tool that allows customers to pay bills using SMS technology. The system is capable of reducing average invoice processing costs by as much as 500%. The Company is partnering with Telescope Inc., a cross-channel SaaS platform that manages over 1.5 billion consumer mobile and digital interactions every year for clients including American Idol, NBC Universal, CBS, Scripps, Cricket Wireless and Sprint. The PAY2DAY advisory board includes Senior Executives from industry leaders such as Apple, PayPal and Bank of America.

RosterElf – (Australia) www.rosterelf.com

The magically simple 100% cloud based Roster Elf has developed an online staff rostering app which has significant commercial opportunity across a range of businesses globally. The unique app has been designed with the end user, business owners and managers in mind. The result is an incredibly smart, simple and flexible system that makes rostering effortless. The new Clock On – Clock Off feature is just one of the innovative additions to this already versatile product.

Electronic Pain Assessment Tool (ePAT) – (Australia)

ePAT is the world's first 3D facial recognition and emotion app aimed at the detection of pain in adults. ePAT is being developing by Curtin University Professor Jeff Hughes and his team, which also comprises of lecturer Kreshnik Hoti and PhD candidate Mustafa Atee. By automating the facial recognition component, the application will provide an objective way to detect an accurate level of pain in non-communicative people, such as patients with dementia.

Chat Center – (USA) www.chatcenter.me

Part funded by Google Ventures, Chat Center has developed software which allows any user to chat with another user, irrespective of which chat app they use. The major problem with current mobile chat app is that it is a fragmented market and users can only chat with each other if they both use the same app (WhatsApp, Skype, Line etc). Chat Center allows users to chat with each other irrespective of which chat app they use. Therefore a user with WhatsApp is able to chat with a user who has Viber, allowing chat to become universal.

Positiv Flo – (Australia)

This innovative product offers a fresh approach to the health and fitness industry. The Positive Flo app offers an easy to adopt service and has the ability to be monetised immediately.

Applabs has acquired and retained equity stakes in several ASX listed companies including:

Liberty Resources Ltd – (ASX LBY)
Acquired 6.4% shareholding
Applabs nominee elected to board
Assisting the company in sourcing technology opportunities
Intercept Minerals Ltd – (ASX IZM)
Acquired 2.7% shareholding
Subscribed for 25M shares at $0.0002
Successfully introduced xTV transaction
GB Energy Ltd – (ASX GBX)
Acquired 3.8% shareholding (subject to shareholder approval)
Subscribed for 25M shares at $0.002

Division3: Internal Development Division - Developing internal technology projects

Applabs have leveraged from the expertise of the design and development team to create an Internal Product Division of the Company, which has several cutting edge apps in various stages of development.

The most advanced Internal Product app is the 100% owned Home Open.

Home Open

Home Open is a highly mobile focused real estate portal designed to allow consumers to easily and efficiently find properties to buy or rent. Home Open allows consumers the unique ability to search for properties based on their current location and proximity to homes open for inspection in real- time. Through revolutionary iBeacon technology real estate agents are able to communicate directly with consumers through push notifications.

The launch of Home Open comes at an opportune time as agents across Australia continue to rally together against the continued cost pressures of the major real estate portals. Home Open is free to download for consumers and free for real estate agents to list properties. Home Open is the only real estate portal outside of the majors or institute backed platforms which is available on web, iPhone, iPad, and Android. Monetisation for Home Open is multi layered through white label sales, advertising, iBeacon sales and agent back-end portal subscription fees.

Home Open aims to become the third major real estate portal in Australia.

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

30 June 2014

	Note	2014 $	2013 $
Continuing operations:			
Sales Revenue		133,213	129,465
Other income		25,789	931,855
Agronomic costs		-	(232,197)
Intellectual property development expense		(144,568)	-
Operating expenses		(1,207,566)	(3,287,933)
Depreciation and amortisation expense		(447,428)	(47,681)
Finance costs		-	(25,320)
Loss before income tax		**(1,640,560)**	**(2,531,811)**
Income tax expense		-	
Loss from continuing operations		**(1,640,560)**	**(2,531,811)**
Discontinued operations:			
Profit on sale of subsidiaries		(36,312)	7,564,183
(Loss)/ gain from discontinued operations		(59,587)	177,957
Income tax expense		-	-
(Loss)/profit from discontinued operations		**(95,899)**	**7,742,140**
Net profit/(loss) for the period attributable to the members of the entity		**(1,736,459)**	**5,210,329**
Other comprehensive income		48,910	-
Total comprehensive income/(loss) attributable to members of the entity		(1,687,549)	**5,210,329**
Basic profit/(loss) per share (cents per share)		(6.43)	120.30
Diluted profit/(loss) per share (cents per share)		(3.25)	120.30
From continuing operations:			
Basic (loss) per share (cents per share)		(5.19)	(58.50)
Diluted (loss) per share (cents per share)		(2.62)	(58.50)
From discontinued operations:			
Basic profit per share (cents per share)		(1.25)	178.80
Diluted profit per share (cents per share)		(0.63)	178.80

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents		4,974,434	814,966
Trade and other receivables		183	57,509
Other assets		-	50,865
Total Current Assets		4,974,617	923,340
Non-Current Assets			
Property, plant and equipment		59,401	61,418
IP investment		810,962	-
Other Non-Current Assets		1,479,728	-
Total Non-Current Assets		2,350,091	61,418
Total Assets		7,324,708	984,758
LIABILITIES			
Current Liabilities			
Trade and other payables		349,678	284,706
Short-term provisions		20,000	45,824
Total Current Liabilities		369,678	330,530
Total Liabilities		369,678	330,530
Net Assets		6,955,030	654,228
EQUITY			
Issued capital	,	25,065,467	17,077,117
Accumulated losses		(18,110,437)	(16,422,889)
Total Equity		6,955,030	654,228

The above consolidated condensed statement of financial position should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2014

	Share Capital Ordinary	Financial Asset Reserve	Accumulated Losses	Total
Balance at 1 July 2012	18,009,081	-	(22,565,182)	(4,556,101)
Total comprehensive profit / (loss)				
Profit for the period attributable to members of the entity	-	-	5,210,329	5,210,329
Transactions with owners in their capacity as owners				
Share buy-back	(931,964)	-	931,964	-
Balance at 30 June 2013	17,077,117	-	(16,422,889)	654,228
Balance at 1 July 2013	17,077,117	-	(16,458,324)	618,793
Total comprehensive profit / (loss)				
Loss for the period attributable to members of the entity	-	-	(1,687,549)	(1,687,549)
Transactions with owners in their capacity as owners				
Issue of shares net of costs	7,988,351			7,988,351
Balance at 30 June 2014	25,065,468	-	(18,110,438)	6,955,030

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2014

	Note	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		194,675	1,819,133
Payments to suppliers and employees		(2,008,197)	(12,242,881)
Interest received		22,945	250,243
Interest paid		(1,000)	(83,029)
Net cash (used in) operating activities		(1,791,577)	(10,256,534)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of subsidiaries			1,868,167
Purchase of property, plant and equipment		(50,825)	(14,929)
Proceeds from sale of equity investments		(659,336)	-
Loans to related parties / group companies		161,000	(226,331)
Acquisition of Intangibles		-	-
Investing Activities		239,000	-
Net cash (used in)/provided by investing activities		(310,160)	1,626,907
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for buy-back of shares			
Proceeds from issue of shares net of transaction costs	4	6,585,205	-
Proceeds from borrowings		34,000	4,349,340
Repayment of borrowings		(358,000)	(786,643)
Net cash provided by financing activities		6,261,205	3,562,697
Net increase/(decrease) in cash and cash equivalents		4,159,468	(5,066,930)
Cash and cash equivalents at beginning of the year		814,966	5,881,896
Cash and cash equivalents at end of the-year		4,974,434	814,966

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

1. Significant accounting policies

(a) Statement of compliance

This report is based on financial statements to which the following applies:

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

(b) Basis of preparation

The preliminary final report has been prepared in accordance with the ASX Listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation, is part of a single co-ordinated plan to dispose of such a line of business or area of operation, or is a subsidiary acquired exclusively with a view to resale. AACL Services Pty Ltd, AACL Funds Management Ltd and AACL Wholesale Pty Ltd have been treated as discontinued operations as a result of the sale of AACL Services Pty Ltd, AACL Funds Management Ltd and AACL Wholesale Pty Ltd on 20 November 2013. The results of discontinued operations are presented separately in Note 7.

Intangible Assets – Acquired Intellectual Property

An intangible asset arising from externally acquired intellectual property is recognised only when the consolidated entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of acquired intellectual property, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of an intangible asset arising from acquired intellectual property is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

The acquired intellectual property of the consolidated entity is amortised over their respective useful lives which are as follows:

- Business names and Domain names - 3 years
- Trademarks - 2 years
- Copyright - 2 years
- Patents - 1 year
- Mobile Applications and Other Source Code - 2 years

Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service

capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

2. Contingent Liabilities

There have been no changes in contingent liabilities since the last annual reporting period.

3 Share Capital

During the reporting period, the following changes to the share capital of the consolidated entity occurred:

- AACL Holdings Ltd undertook a consolidation of its share capital on a 30:1 basis.
- In consideration for the acquisition of Applabs Australia Pty Ltd and Ingenius Labs Pty Ltd, AACL Holdings Limited issued 6,000,000 ordinary shares at an agreed price of 20 cents per share, for a total of $1,200,000;
- AACL Holdings Ltd issued 15,000,000 ordinary shares under a prospectus dated 28 October 2013 at 20 cents per share to raise $3,000,000 before costs of the issue;

Capital Initiatives as Applabs Technologies Ltd (ALA)

- On 10 January ALA issued 431,966 shares as part consideration for a 25% equity stake in Roster Elf Pty Ltd
- On the 10th March 2014 the company announced an oversubscribed $3,864,000 equity raising. The placement was finalised in two tranches;
    - The first tranche of 5,600,000 million shares were issued under the company’s existing placement capacity under ASX listing Rules 7.1/7.1A

  - The second tranche of 11,200,000 million shares were issued subject to shareholder and regulatory approval which was received on the 17th April 2014
  - On the 16th June the final 1,086,957 million shares pursuant to approval gained from Shareholders was placed for a total consideration of $250,000.11

- On the 16th June a further 100,000 shares were issued under the Company's existing placement capacity under ASX Listing 7.1 for total consideration of $23,000.

- On the 4th March 2014 the company announced a non-renounceable pro-rata entitlement issue of loyalty options to eligible shareholders. One option for every 2 shares held were offered with an exercise price of 25c and a 2 year expiry period.

  a) On the 26th May the company announced that eligible shareholders took up 14,115,346 options for a total consideration of $141,153.

  b) On the 16th June the company announced that the shortfall of 6,504,574 options was placed under the shortfall offer for a total consideration of $65,045.74

  c) On the 16th June the company announced that a further 5,000,000 listed options exercisable at $0.25 on or before 21 May 2016 were issued at an issue price of $0.01 per option for a total consideration of $50,000.00

4. Carried Forward Tax Losses

The consolidated entity has received advice that despite the change in nature and scale of its activities, the Continuity of Ownership Test would be satisfied at 30 June 2014 for tax losses carried forward in relation to the 30 June 2013 year but not for the prior tax years. Accordingly, the tax losses incurred in the 30 June 2013 tax year of $1,074,955 are available at 30 June 2014 for future utilisation with $276,377 being unavailable for future utilisation. Capital losses incurred in the 30 June 2013 tax year of $14,576,169 are still available for carry forward into future reporting periods.

5. Events occurring after the end of the period

- On 10 July the Company announced a $250,000 payment for a 15% stake in an electronic pain assessment tool being developed by Curtin University.
- On 15 July the Company announced a $50,000 subscription for a placement of IZM shares at $0.002. IZM had announced its intention to acquire xTV, a company in which ALA has an equity position.
- On 18 July the Company announced a $250,000 investment to acquire a 4.5% stake in Pay2Day Solutions Inc, an electronic payment solutions company.
- On 14 August the Company appointed Patric Glovac as Managing Director
- On 21 August the Company announced a significant uplift in revenue; Over $460,000 in contracts year to date, and a similar amount of potential work already quoted.

6. Discontinued Operation – Sale of Subsidiary

AACL Holdings Ltd owned 100% of the issued shares of AACL Services Pty Ltd. On 25 October 2013, AACL Holdings Ltd entered into an agreement to sell 100% of its interest in its wholly owned subsidiary, AACL Services Pty Ltd. The receipt of funds and the transfer of shares occurred on 25 October 2013.

Financial information relating to AACL Services Pty Ltd to the date of disposal is set out below.

The financial performance of AACL Services Pty Ltd to the date of sale which is included in profit/(loss) from discontinued operations per the Statement of Comprehensive Income is as follows:

	1 July 2013 to 25 October 2013 $	1 July 2012 to 30 June 2013 $
Revenue	-	-
Other income	-	365,512
Agronomic costs	-	(190,683)
Operating expenses	(57,809)	(1,919,193)
Depreciation	-	(47,681)
Finance costs	(529)	(11,625)
Loss before income tax	**(58,338)**	**(1,803,670)**
Income tax benefit/(expense)	-	-
Loss from discontinued operations	**(58,338)**	**(1,803,670)**

The net cash flows of the discontinued subsidiary which have been incorporated into the statement of cash flows are as follows:

	1 July 2013 to 25 October 2013 $	1 July 2012 to 30 June 2013 $
Net cash used in operating activities	**(58,338)**	(**1,803,670**)
Net cash provided by//(used in) investing activities	**-**	-
Net cash provided by/(used in) financing activities	**-**	-
Net decrease in cash from discontinued operations	**(58,338)**	**(1,803,670)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the half-year ended 31 December 2013

Note 6: Discontinued Operation – Sale of Subsidiary (continued)

The carrying amount of assets and liabilities of AACL Services Pty Ltd as at the date of sale were:

	25 October 2013 $
ASSETS	
Current Assets	
Cash and cash equivalents	1,245
Trade and other receivables	323,290
Total Current Assets	**324,535**
Total Assets	**324,535**
LIABILITIES	
Current Liabilities	
Trade & Other Payables	(196,364)
Borrowings	(162,526)
Total Current Liabilities	**(358,890)**
Total Liabilities	**(358,890)**
Net Liabilities	**(34,355)**

Details of the sale of the discontinued subsidiary are as follows:

	$
Sale price for discontinued subsidiary	100
	-
Total consideration received at settlement	**100**
Add: Carrying amount of net liabilities disposed	34,355
Profit on sale of discontinued subsidiary	34,455
Income tax expense	-
Profit on sale of discontinued subsidiary after income tax	34,455

The sale of AACL Services Pty Ltd has resulted in a capital profit of $34,455 and accordingly, no income tax liability arises on the sale. Deferred tax assets have not been recognised on the capital loss due to the uncertainty of future taxable capital profits to utilise the deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the half-year ended 31 December 2013

Note 6: Discontinued Operation – Sale of Subsidiary

AACL Holdings Ltd owned 100% of the issued shares of AACL Funds Management Ltd. On 25 October 2013, AACL Holdings Ltd entered into an agreement to sell 100% of its interest in its wholly owned subsidiary, AACL Funds Management Ltd. The receipt of funds and the transfer of shares occurred on 25 October 2013.

Financial information relating to AACL Funds Management Ltd to the date of disposal is set out below.

The financial performance of AACL Funds Management Ltd to the date of sale which is included in profit/(loss) from discontinued operations per the Statement of Comprehensive Income is as follows:

	1 July 2013 to 25 October 2013 $	1 July 2012 to 30 June 2013 $
Revenue	-	-
Other income	43,504	379,337
Agronomic costs	-	(26,187)
Operating expenses	(44,693)	(185,128)
Finance costs	(60)	(171)
Profit/(loss) before income tax	**(1,249)**	**167,850**
Income tax benefit/(expense)	-	-
Profit/(loss) from discontinued operations	**(1,249)**	**167,850**

The net cash flows of the discontinued subsidiary which have been incorporated into the statement of cash flows are as follows:

	1 July 2013 to 25 October 2013 $	1 July 2012 to 30 June 2013 $
Net cash (used in)/provided by operating activities	(1,249)	112,961
Net cash provided by/(used in) investing activities	-	-
Net cash provided by/used in) financing activities	-	-
Net (decrease)/ increase in cash from discontinued operations	**(1,249)**	**112,961**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the half-year ended 31 December 2013

Note 6: Discontinued Operation – Sale of Subsidiary (continued)

The carrying amount of assets and liabilities of AACL Funds Management Ltd as at the date of sale were:

	25 October 2013 $
ASSETS	
Current Assets	
Cash and cash equivalents	257,864
Trade and other receivables	-
Inventories	-
Total Current Assets	**257,864**
Total Assets	**257,864**
LIABILITIES	
Current Liabilities	
Trade & Other Payables	17,864
Total Current Liabilities	**17,864**
Total Liabilities	**17,864**
Net Assets	**240,000**

Details of the sale of the discontinued subsidiary are as follows:

	$
Sale price for discontinued subsidiary	240,000
	-
Total consideration received at settlement	**240,000**
Less: Carrying amount of net assets disposed	240,000
Gain on sale of discontinued subsidiary	**-**
Income tax expense	-
Gain on sale of discontinued subsidiary after income tax	**-**

The sale of AACL Funds Management Ltd has resulted in no capital loss nor gain and accordingly, no income tax liability arises on the sale. Deferred tax assets have not been recognised on the capital loss due to the uncertainty of future taxable capital profits to utilise the deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the half-year ended 31 December 2013

Note 6: Discontinued Operation – Sale of Subsidiary

AACL Holdings Ltd owned 100% of the issued shares of AACL Wholesale Pty Ltd. On 25 October 2013, AACL Holdings Ltd entered into an agreement to sell 100% of its interest in its wholly owned subsidiary, AACL Wholesale Pty Ltd. The receipt of funds and the transfer of shares occurred on 25 October 2013.

Financial information relating to AACL Wholesale Pty Ltd to the date of disposal is set out below.

The financial performance of AACL Wholesale Pty Ltd to the date of sale which is included in profit/(loss) from discontinued operations per the Statement of Comprehensive Income is as follows:

	1 July 2013 to 25 October 2013 $	1 July 2012 to 30 June 2013 $
Revenue	-	-
Other income	30	-
Agronomic costs	-	-
Operating expenses	-	(41,604)
Finance costs	(30)	(120)
Profit/(loss) before income tax	**-**	**(41,724)**
Income tax benefit/(expense)	-	-
Profit/(loss) from discontinued operations	**-**	**(41,724)**

The net cash flows of the discontinued subsidiary which have been incorporated into the statement of cash flows are as follows:

	1 July 2013 to 25 October 2013 $	1 July 2012 to 30 June 2013 $
Net cash (used in) operating activities	-	(120)
Net cash provided by/used in) investing activities	-	-
Net cash provided by/used in) financing activities	-	-
Net (decrease)/ increase in cash from discontinued operations	**-**	**(120)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the half-year ended 31 December 2013

Note 6: Discontinued Operation – Sale of Subsidiary (continued)

The carrying amount of assets and liabilities of AACL Wholesale Pty Ltd as at the date of sale were:

	25 October 2013 $
ASSETS	
Current Assets	
Cash and cash equivalents	100
Trade and other receivables	2,058
Inventories	-
Total Current Assets	**2,158**
Total Assets	**2,158**
LIABILITIES	
Current Liabilities	
Trade & Other Payables	(2)
Total Current Liabilities	**(2)**
Total Liabilities	**(2)**
Net Assets	**2,156**

Details of the sale of the discontinued subsidiary are as follows:

	$
Sale price for discontinued subsidiary	100
Total consideration received at settlement	**100**
Less: Carrying amount of net assets disposed	(2,156)
Loss on sale of discontinued subsidiary	**(2,056)**
Income tax expense	-
Loss on sale of discontinued subsidiary after income tax	**(2,056)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

The sale of AACL Wholesale Pty Ltd has resulted in a capital loss of $2,056 and accordingly, no income tax liability arises on the sale. Deferred tax assets have not been recognised on the capital loss due to the uncertainty of future taxable capital profits to utilise the deferred tax asset.

7. Investment in an associate

Applabs Technologies Ltd (the Company) has a 25% interest in Roster Elf Pty Ltd, which has developed an online staff rostering application for commercial use. Roster Elf Pty Ltd is a private entity that is not listed on any public exchange. The Company's interest in Roster Elf Pty Ltd is accounted for using the equity method in the consolidated financial statements. The following illustrates the summarised financial information of the Company's investment in Roster Elf Pty Ltd:

	2014
	$000
Current assets	299
Non-current assets	119
Current liabilities	(4)
Non-current liabilities	-
Equity	**414**
Proportion of the Company's ownership	25%
Carrying amount of the investment	**321**

	2014
	$000
Revenue	-
(Loss) before tax	**(115)**
Income tax expense	-
Loss for the year (continuing operations)	**(115)**
Company's share of (loss) for the year	**(29)**

Roster Elf Pty Ltd had no contingent liabilities or capital commitments as at 30 June 2014.

8. Earnings per Share

During the year, the consolidated entity undertook a 30:1 share consolidation. In accordance with *AASB 133: Earnings Per Share*, the basic and diluted earnings per share for the 2013 comparative period have been retrospectively adjusted to reflect this.

9. Intangible Assets

	2014	2013
At Cost		
Opening Balance	-	-
Acquisitions during the period:		
Business names and Domain names	350,000	-
Trademarks	20,000	-

Copyright	20,000	-
Patents	10,000	-
Mobile Applications and Other Source Code	800,000	-
Amortisation	(389,763)	-
Closing Balance	**810,237**	**-**

10. Related Party Transactions

During the period, Applabs executed a Trust Deed with an entity associated with Mr Stuart Kidd (a Director of Applabs). Under the terms of the Deed:

- Applabs holds a 20% beneficial interest in the rights, entitlements, revenues and benefits that are directly attributable to HomeOpen in trust for the Beneficiary (Ingenius Labs Pty Ltd as trustee for the Kidd Family Trust);
- Applabs must spend $150,000 on the development, marketing, commercialization and promotion of the Home Open App within the first 12 months of completion of the Business Asset Sale Agreement between Ingenius Labs Pty Ltd, Applabs Australia Pty Ltd and Stuart Diggory Kidd (dated 14 October 2013);
- Once $150,000 is spent, any further expenditure by Applabs on development, marketing, commercialization and promotion of the Home Open App will be met on the following basis:
    - 20% - Beneficiary
    - 80% - Trustee (Applabs)
- The Beneficiary's contributions (as outlined above) will accrue and will be set off against any future revenues earned by the Trustee from the commercialisation of the Homeopen App <u>OR</u> proceeds received from the sale of the Homeopen App to a third party.

11. COMPLIANCE STATEMENT

This report is based on financial statements to which the following applies:

☐ The financial statements have been audited.

☐ The financial statements have been supplied to review.

☒ The financial statements are in the process of being audited or subject to review.

☐ The financial statements have not yet been audited or reviewed.

Damon Sweeny
Company Secretary
Date: 30 August 2013