

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Financial Statements

For the Year Ended 30 June 2014

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Contents

For the Year Ended 30 June 2014

	Page
Financial Statements	
Statement of Profit or Loss and Other Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5
Directors' Declaration	10
Independent Auditor's Report	11

Employment Management Systems Pty Ltd and its Controlled Entities

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Revenue		15,032	7,700
Depreciation and amortisation expense	2	(92,803)	(179,570)
Other expenses		(9,264)	(16,962)
(Loss) / Profit before income tax		(87,035)	(188,832)
Income tax (expense)/revenue		212,963	67,271
Profit / (loss) for the year		125,928	(121,561)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss when specific conditions are met		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		125,928	(121,561)

The accompanying notes form part of these financial statements.

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Statement of Financial Position

As At 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	101,769	65
Trade and other receivables	4	1,972	1,071
Current tax receivable	5	212,963	67,271
TOTAL CURRENT ASSETS		316,704	68,407
NON-CURRENT ASSETS			
Intangible assets	6	2,476,249	2,095,801
TOTAL NON-CURRENT ASSETS		2,476,249	2,095,801
TOTAL ASSETS		2,792,953	2,164,208
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	2,640	-
TOTAL CURRENT LIABILITIES		2,640	-
NON-CURRENT LIABILITIES			
Trade and other payables	7	500,000	1,334,823
TOTAL NON-CURRENT LIABILITIES		500,000	1,334,823
TOTAL LIABILITIES		502,640	1,334,823
NET ASSETS		2,290,313	829,385
EQUITY			
Issued capital	10	1,336,000	1,000
Reserves		1,000,000	1,000,000
Retained earnings		(45,687)	(171,615)
TOTAL EQUITY		2,290,313	829,385

The accompanying notes form part of these financial statements.

Employment Management Systems Pty Ltd and its Controlled Entities
ABN 52 076 549 945

Statement of Changes in Equity
For the Year Ended 30 June 2014

2014

	Consolidated		
	Ordinary Shares \$	Accumulated losses \$	Asset Revaluation Reserve \$
Balance at 1 July 2013	1,000	(171,615)	1,000,000
Shares issued during the year	1,335,000	-	-
Profit attributable to members of the entity	-	125,928	-
Balance at 30 June 2014	1,336,000	(45,687)	1,000,000
			Total
			\$
			829,385
			1,335,000
			125,928
			2,290,313

2013

	Consolidated		
	Ordinary Shares \$	Accumulated losses \$	Asset Revaluation Reserve \$
Balance at 1 July 2012	1,000	(50,054)	1,000,000
Loss attributable to members of the entity	-	(121,561)	-
Balance at 30 June 2013	1,000	(171,615)	1,000,000
			Total
			\$
			950,946
			(121,561)
			829,385

The accompanying notes form part of these financial statements.

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Statement of Cash Flows

For the Year Ended 30 June 2014

Note	Consolidated	
	2014	2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	17,672	7,644
Payments to suppliers and employees	(10,165)	(16,583)
Income taxes refund received	67,271	173,742
Net cash provided by / (used in) operating activities	9(b) 74,778	164,803
CASH FLOWS FROM INVESTING ACTIVITIES:		
Development costs and payments for intangible assets	(473,251)	(149,492)
Net cash (used in) investing activities	(473,251)	(149,492)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net movement in related party loan accounts	177	(16,797)
Proceeds from borrowings	500,000	-
Net cash provided by / (used in) financing activities	500,177	(16,797)
Net increase / (decrease) in cash and cash equivalents held	101,704	(1,486)
Cash and cash equivalents at beginning of year	65	1,551
Cash and cash equivalents at end of financial year	9(a) 101,769	65

The accompanying notes form part of these financial statements.

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The directors have prepared the financial statements on the basis that the for profit company is a non-reporting entity because there are no users dependent on general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the needs of the members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the purposes of preparation. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of the parent (Employment Management Systems Pty Ltd) and all controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 8 to the financial statements.

(c) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of reporting year. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(e) Goods and Services Tax (GST) continued

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Intangible Assets

Patents and trademarks

Patents and trademarks are recognised at director's valuation. The director's have had regard to an independent valuation that supports the valuation adopted.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Notes to the Financial Statements

For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
		\$	\$
2 Expenses			
Depreciation and amortisation			
- amortisation of development costs		92,803	179,570
Total depreciation and amortisation		92,803	179,570
3 Cash and cash equivalents			
Cash at bank and in hand		101,769	65
		101,769	65
4 Trade and other receivables			
CURRENT			
GST receivable		1,972	1,071
		1,972	1,071
5 Tax			
Current Tax Asset			
Current tax receivable		212,963	67,271
		212,963	67,271
6 Intangible Assets			
Patents and trademarks			
At director's valuation		1,000,000	1,000,000
Accumulated amortisation and impairment		-	-
		1,000,000	1,000,000
Development costs			
Cost		2,100,489	1,795,696
Accumulated amortisation and impairment		(792,698)	(699,895)
		1,307,791	1,095,801
Computer software			
Cost		168,458	-
Accumulated amortisation and impairment		-	-
		168,458	-
Total Intangibles		2,476,249	2,095,801

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Notes to the Financial Statements

For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
		\$	\$
7 Trade and other payables			
CURRENT			
Unsecured liabilities			
Sundry payables and accrued expenses		2,640	-
		<u>2,640</u>	<u>-</u>
NON-CURRENT			
Unsecured liabilities			
Loans from related parties		-	1,334,823
Loans from other entities		500,000	-
		<u>500,000</u>	<u>1,334,823</u>
8 Interests in Subsidiaries			
	Principal place of business / Country of Incorporation	Percentage Owned (%) 2014	Percentage Owned (%) 2013
Subsidiaries:			
Skills Connect Pty Limited	Australia	100	100
Skills Connect Incorporated	United States of America	100	-
9 Cash Flow Information			
(a) Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		101,769	65
		<u>101,769</u>	<u>65</u>
(b) Reconciliation of result for the year to cashflows from operating activities			
Profit for the year		125,928	(121,561)
Non-cash flows in profit:			
- amortisation		92,803	179,570
Changes in assets and liabilities:			
- (increase)/decrease in trade and other receivables		(901)	379
- increase/(decrease) in trade and other payables		2,640	(56)
- increase/(decrease) in income taxes payable		(145,692)	106,471
Cashflow from operations		<u>74,778</u>	<u>164,803</u>

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Notes to the Financial Statements

For the Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$	\$
10 Issued Capital		
2,667 (2013: 1,000) fully paid ordinary shares	1,336,000	1,000
	<u>1,336,000</u>	<u>1,000</u>

(a) Ordinary shares

	Consolidated	
	2014	2013
	No.	No.
At the beginning of the reporting period	1,000	1,000
Shares issued during the year:		
- 17 December 2013	1,000	-
- 30 June 2014	667	-
At the end of the reporting period	<u>2,667</u>	<u>1,000</u>

On 30 June 2014 the company issued 667 shares at \$2,000 each to convert debt to equity.

11 Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2014	2013
	\$	\$
Statement of Financial Position		
ASSETS		
Current assets	314,532	68,407
Non-current assets	2,499,423	2,117,945
TOTAL ASSETS	<u>2,813,955</u>	<u>2,186,352</u>
LIABILITIES		
Current liabilities	668	-
Non-current liabilities	500,000	1,334,519
TOTAL LIABILITIES	<u>500,668</u>	<u>1,334,519</u>
EQUITY		
Issued capital	1,336,000	1,000
Retained earnings	(22,713)	(149,167)
Asset revaluation reserve	1,000,000	1,000,000
TOTAL EQUITY	<u>2,313,287</u>	<u>851,833</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit / (loss)	126,454	(119,490)
Total comprehensive income / (expense)	<u>126,454</u>	<u>(119,490)</u>

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 946

Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 9, present fairly the company's financial position as at 30 June 2014 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Director



Dated 24 October 2014



Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Independent Auditor's Report to the Members of Employment Management Systems Pty Ltd and its Controlled Entities

Report on the Financial Report

We have audited the accompanying financial report being a special purpose financial report, of Employment Management Systems Pty Ltd and its Controlled Entities, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and director's declaration for the entity and the consolidated entity.

Director's Responsibility for the Financial Report

Directors are responsible for the preparation of the financial report that gives a true and fair view and have determined that the accounting policies described in Note 1 of the financial report are appropriate to meet the needs of the members, and for such internal control as directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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 management, 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 qualified audit opinion.

Basis for Qualified Opinion

The 2013 figures were not audited. We were unable to determine whether any adjustments to the amounts were necessary.

Employment Management Systems Pty Ltd and its Controlled Entities

ABN 52 076 549 945

Independent Auditor's Report to the Members of Employment Management Systems Pty Ltd and its Controlled Entities

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the financial position of Employment Management Systems Pty Ltd and its Controlled Entities, as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Emphasis of Matter

We draw attention to Note 1(f) to the financial statements which describes that patents and trademarks are recognised at director's valuation and that the director's have had regard to an independent valuation that supports the valuation adopted. Our opinion is not modified in respect of this matter.

We draw attention to the balance of \$212,963 included in receivables which relates to R&D tax offset. At the date of signing the independent auditor's report the balance was outstanding. Our opinion is not modified in respect of this matter.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report is prepared by directors to meet the needs of members. As a result, the financial report may not be suitable for another purpose.

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Partner

Dated at Sydney this **27th** day of October 2014