

14 August 2014

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
via ASX Online

Total pages - 21

Dear Stephanie,

## Appendix 4D – Half-year financial report to 30 June 2014

ComOps lodges its Appendix 4D and Half Year Financial Report incorporating the Directors and Auditor's Review Report for the period ended 30 June 2014.

1. Results for the half-year ended 30 June 2014 are as per the attached half-year financial report. The comparative figures relate to the half-year ended 30 June 2013.

### 2. Results for announcement to the market

The consolidated entity reported a net loss after income tax of \$808,410 for the half-year ended 30 June 2014 (30 June 2013: profit \$63,428). A comparison to the previous period is set out as follows:

	Half-year ended 30 June 2014 \$'000's	Half-year ended 30 June 2013 \$'000's	Movement \$'000's	% Change
Revenue from continuing activities	2,819	3,367	(548)	down 16%
Net loss from continuing activities before income tax	(741)	(1,445)	704	down 49%
Net loss after tax from continuing activities	(741)	(1,090)	349	down 32%
Net (loss) / profit after tax for the period attributable to members	(808)	63	(871)	down 383%
Record date of dividend payments	N/A	N/A		

### 3. Dividends

No dividends have been paid and no dividend is recommended.

### 4. Net tangible asset per security

	Half-year ended 30 June 2014 \$	Half-year ended 30 June 2013 \$
Net tangible asset backing per ordinary security	(0.00)	0.00

### 5. Controlled entities

ComOps continues to maintain 100% control of ComOps Solutions Pty Ltd, ComOps NZ Limited, Human Capital Solutions Group Pty Ltd, Concentric Business Solutions Limited, Microster Solutions Pty Ltd and Salvus Solutions Pty Ltd.

### 6. Joint ventures and associates

ComOps does not have any joint venture partners.

### 7. Foreign entities

The company has 100% control of three foreign entities: ComOps NZ Limited (incorporated in New Zealand); Concentric Business Solutions Limited (incorporated in New Zealand); and ComOps India Pvt Ltd (incorporated in India).

### 8. Review report

Refer the attached half-year financial statements and note 1 which outlines matters relevant to going concern and the emphasis of matter included in the Auditor's Report.

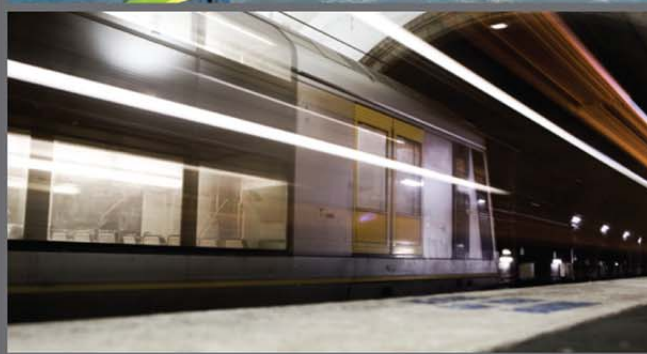
For and on behalf of the board of directors of  
ComOps Limited



Christopher Brooke  
Company Secretary

# ComOps Limited Half Year Report 30 June 2014

ABN: 79 000 648 082



# COMPANY PARTICULARS

## **ComOps Limited**

**ABN 79 000 648 082**

The Company's shares are quoted on the official list of the Australian Securities Exchange Limited.  
The Company's ASX code is "COM".

### **Directors**

Niall CAIRNS - *non-executive chairman*  
Andrew ROBERTS - *non-executive director*  
Phillip CARTER - *non-executive director*

### **Secretary**

Christopher BROOKE

### **Registered office and head office**

Ground Floor, 77 Pacific Highway  
North Sydney NSW 2060  
Telephone 1300 853 099  
Facsimile 9460 2236

### **Web address**

[www.comops.com.au](http://www.comops.com.au)

### **Share registry**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Telephone 1300 850 505  
Facsimile (02) 8235 8150

### **Auditors**

Grant Thornton Audit Pty Ltd  
Level 17, 383 Kent Street  
Sydney NSW 2000 Australia

### **Bankers**

St George Bank  
Level 12, 55 Market Street  
Sydney NSW 2000

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# LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

The first half of the 2014 financial year was the second stage of your newly elected board's (Andrew Roberts, Phillip Carter and Niall Cairns) three stage program to fully transform ComOps Limited (ComOps) into a sustainably profitable growing ASX listed corporation, initially focused on the Microster Workforce Management business.

In reviewing the results for the first half to 30 June 2014, it is important to consider them in context of the three stage transformation ComOps is undertaking.

- **The first stage** was reported on in the 2013 Annual report and included the sale of the Korellus ERP software business, the raising of new capital to settle the Australian Taxation Office debts, the initial reduction in the cost base, and the introduction of new technology growth company expertise and capital.
- **The second stage**, being this half year, encompasses the final settlement of the dispute relating to the sale of the Korellus ERP software business, cleaning up the remaining issues from prior periods, the implementation of an efficiency program (without reducing operational capability) and the commencement of an acquisition search program.
- **The third stage**, which we are currently in, focuses on the delivery of operational profitability from Microster, potentially completing on the initial acquisitions announced (non-binding term sheets), bringing on board a new chief executive officer and delivering a sustainably profitable and growing company.

The net loss from continuing activities before tax for the 6 months to 30 June 2014 was \$0.7M and was a significant improvement on the corresponding prior period. There were however significant expenses incurred during the first half that are not expected to be incurred in the second half, which if not included would have resulted in a further and similar improvement. These first half expenses included the expenses removed by the June quarter's efficiency program and the resulting redundancy expenses incurred. This is pleasing as revenue was driven by strong professional services revenue, which was above budget, and not the higher margin license revenue, which was below budget.

Looking forward we expect the Microster business to deliver a solid contribution, with continued strength in professional services revenues being augmented in the second half with licence revenues and steady maintenance revenues. The new, lower cost base will assist the group to build a profitable base; however, final group results will also be dependent on any M&A expenses and the contribution from any newly acquired businesses.

During the period shareholders responded positively to the development of the newly focused ComOps and approved both the replenishment of the company's 15% placement capacity (April) and a further placement, including the approval of a placement to director related entities, at the Annual General Meeting. In June the company raised \$1.65 million from new, existing and director related investors. The company's 15% placement capacity is retained and may be used as part of any future capital raising strategy, which we expect should provide all shareholders with the opportunity to participate.

Overall, ComOps is making good progress in the challenging journey of its transformation into a sustainably profitable and growing listed software solutions company, which is no longer affected by its past. A company **"Delivering operationally critical cloud enabled Enterprise Grade Workforce, Workplace & Workflow solutions for the management of complex & asset intensive working environments"**.

Finally, I would like to thank my fellow directors, past and present, our company secretary, managers and staff for their contributions during the year to date.



Niall Cairns  
Chairman



# DIRECTORS REPORT

The Directors of ComOps Limited submit herewith the half-year financial report for the six months ended 30 June 2014. In accordance with the provisions of the Corporations Act 2001, the Directors report as follows:

## Directors

The names and particulars of the Directors of the Company during or since the end of the half year are:

▪ Mr Niall Cairns	Chairman, non-executive Director	appointed 22/11/2013
▪ Mr Andrew Roberts	Non-executive Director	appointed 28/06/2013
▪ Dr Phillip Carter	Non-executive Director	appointed 22/11/2013
▪ Mr Peter Wicks	Non-executive Director	appointed 28/06/2013 resigned 14/05/2014
▪ Mr Stephen Rattray	Non-executive Director	appointed 30/05/2013 resigned 20/05/2014

## Description and BIO of each Director

Mr Niall Cairns is a joint managing director and co-founder of Kestrel Capital Pty Limited, a private equity manager focused on growth companies with global opportunities in the technology, resources, niche manufacturing and services sectors. As an experienced growth company investor and developer, Mr Cairns has over 25 years of direct seed, private equity and listed company experience. In 1993 Mr Cairns cofounded Kestrel Capital, since which he has raised six funds and led the investments and been a director of companies such as Australian Helicopters, Avand (sold to Technology One), GMD (sold to SMS), Gale Pacific (AVCAL award winner) and Intrapower (sold to TPG Telecom). Currently, Mr Cairns is a director of Tru-Test Corporation Limited, Goldminex Resources Limited and Nanyang Australia II Limited. Mr Cairns holds a bachelor of economics (BEc) and is a Chartered Accountant (CA) and Fellow of the Institute of Company Directors (FAICD).

Mr Andrew Roberts is a business executive / entrepreneur with over 20 years' experience in the IT industry across Asia Pacific, and the United Kingdom. He has extensive commercial experience in business aggregation, business strategy, technology strategy, professional services, operations and general management. Mr Robert's specialties include technology incubation, growing business from start-up to sale, business turnarounds, and technology M&A. Over the past 20 years, Mr Roberts has served as a company director on a number of private and public company boards, both in Australia and overseas and is a member of the Australian Institute of Company Directors. He has previously been a director of ComOps Limited after his business was acquired by ComOps in 2008.

Dr Phillip Carter is a joint managing director of Kestrel Capital Pty Limited, the Sydney-based private equity manager. Dr Carter has extensive experience developing and financing technology rich industrials in Australia, Europe and the USA. Recently, as chairman of Prism Group Holdings – a developer of enterprise management information systems software – he led the restructure and turnaround of its global operations and sale of the business to a US competitor, delivering significant returns to investors. Previously, Dr Carter headed a leading UK technology consulting and investment advisory practice and managed the InterTechnology Fund, recognised by the EVCA as one of the most active development capital funds in Europe. Dr Carter has been a non-executive director of Goldminex Resources Limited and Sigtec Holdings Pty Ltd (Australia) for the past 5 years. Dr Carter holds a doctorate and bachelor degree in engineering (PhD, BEng) and a masters degree in finance (MAppFin). He is also a Fellow of the Institute of Company Directors (FAICD) and a Fellow of the Financial Services Institute (FFin).

## Review of operations

ComOps is seeking to grow organically and by acquisition to develop a sustainable profitable and growing group that delivers operationally critical cloud enabled Enterprise Grade Workforce, Workplace and Workflow solutions for the management of complex and asset intensive working environments.

The operational results for the period to 30 June 2014, for the first time reflect only the Microster and Salvus businesses. Revenues were down due to lower software licence sales, whilst professional services were above budget by 15% and maintenance revenues on budget. The net loss from continuing operations was significantly reduced as the benefits of actions taken in 2013, to reduce costs and restructure the business, were reflected in the first half.

During the period the board was restructured and an executive management committee established to manage the business whilst a search was undertaken for a new chief executive officer. At the end of the period the executive management committee consisted of:-

- Dr Phillip Carter: Non-Executive Director and Chairman of the Executive Committee
- Mr Christopher Brooke: Chief Financial Officer and Company Secretary
- Mr Graeme Neilson: General Manager – Professional Services, Support and Development
- Mr Stephen Aitken: General Manager – Sales and Marketing

The current ComOps business is focused on Microster Workforce Management and Salvus Safety Management Solutions to a blue chip client base in ports, shipping, rail and transport, government, security, utilities, health care and the payroll and service provider sectors. The solutions provided include rostering & scheduling, award interpretation, labour cost management, fatigue risk management, leave management, time & attendance, employee self-service portals, risk management & safety compliance and workforce analytics.

# DIRECTORS REPORT (CONTINUED)

The Microster and Salvus solutions deliver substantial financial and operation advantage by aligning people, productivity and performance; making workforces more productive, reducing overheads and increasing profitability.

## Financial Highlights

Highlights of ComOps Financial Statements covering the half year ended 30 June 2014 are as follows:

	6 months 30 June 2014	6 months 30 June 2013	Change
	\$'000	\$'000	Improve/ (Decline)
Revenue - continuing operations	2,819	3,367	(16%)
Revenue - discontinued operations	-	2,476	(100%)
Total expenses	3,627	6,136	41%
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	(699)	61	(1,246%)
Earnings before interest and taxes (EBIT)	(793)	4	(19,925%)
Net loss before tax (NPBT)	(808)	(292)	177%
Net profit/(loss) after tax (NPAT)	(808)	63	(1,383%)

## Subsequent events

There has not been any matter or circumstance that has arisen since 30 June 2014 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or that state of the consolidated entity in the future financial years.

## Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



Niall Cairns  
Chairman, Non-Executive Chairman



Phillip Carter  
Non-Executive Director

Sydney

Dated: 14 August 2014

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## Auditor's Independence Declaration To The Directors of ComOps Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of ComOps Limited for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A J Archer  
Partner - Audit & Assurance

Sydney, 14 August 2014

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## Independent Auditor's Review Report To the Members of ComOps Limited

We have reviewed the accompanying half-year financial report of ComOps Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the ComOps Limited consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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Regulations 2001. As the auditor of ComOps Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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

#### Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

#### Emphasis of matter

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a loss before tax of \$808,410 and net cash outflows from operating activities of \$1,382,231 during the period ended 30 June 2014 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$586,310. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A J Archer  
Partner - Audit & Assurance

Sydney, 14 August 2014

# DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. give a true and fair view of the economic entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date.
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 of ComOps Limited.



Niall Cairns  
Chairman, Non-Executive Director



Phillip Carter  
Non-Executive Director

Sydney

14 August 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2014

		<b>Consolidated</b>	
		<b>Half-year ended 30 June 2014</b>	<b>Half-year ended 30 June 2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue		2,818,655	3,367,228
Employee benefits expense		(2,027,112)	(2,483,745)
Consultants' fees		(538,626)	(350,702)
Directors' fees		(122,000)	(83,000)
Depreciation and amortisation expense		(93,856)	(143,043)
Bad debts expense		8,260	-
Finance costs		(15,347)	(317,386)
Communication expenses		(32,377)	(41,285)
Corporate activity costs		(94,908)	(160,533)
Occupancy expenses		(300,376)	(605,361)
Travel expenses		(98,410)	(119,283)
Other expenses		(244,530)	(508,358)
<b>Loss before income tax</b>		<b>(740,627)</b>	<b>(1,445,468)</b>
Income tax benefit		-	355,249
<b>Loss for the period from continuing operations</b>		<b>(740,627)</b>	<b>(1,090,219)</b>
Profit / (loss) for the period from discontinued operations		(67,783)	1,153,647
<b>Profit/(loss) for the period</b>		<b>(808,410)</b>	<b>63,428</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive profit/(loss)</b>		<b>(808,410)</b>	<b>63,428</b>
<b>Earnings per share</b>			
- Basic (cents per share)	10		
Earnings from continuing operations		(0.25)	(0.83)
Earnings from discontinued operations		(0.00)	0.88
- Diluted (cents per share)	10		
Earnings from continuing operations		(0.25)	(0.83)
Earnings from discontinued operations		(0.00)	0.88

Notes to the financial statements are included on pages 15 to 20.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the half-year ended 30 June 2014

	Note	Consolidated	
		30-Jun-14	31-Dec-13
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,117,121	1,008,042
Trade receivables		982,380	387,902
Work in progress		143,868	110,341
Income tax receivable		-	365,861
Other		23,582	75,598
<b>TOTAL CURRENT ASSETS</b>		<b>2,266,951</b>	<b>1,947,744</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables		82,498	146,889
Property, plant and equipment		39,310	42,718
Intangible assets	3	3,572,876	3,657,023
Other		55,017	63,046
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,749,701</b>	<b>3,909,676</b>
<b>TOTAL ASSETS</b>		<b>6,016,652</b>	<b>5,857,420</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,315,758	1,703,837
Borrowings		24,860	-
Provisions		360,114	364,797
Provision for income tax		50,230	89,818
Unearned maintenance income		1,047,299	1,198,968
Other liabilities		55,000	85,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,853,261</b>	<b>3,442,420</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		9,304	6,974
Other liabilities		30,056	34,448
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>39,360</b>	<b>41,422</b>
<b>TOTAL LIABILITIES</b>		<b>2,892,621</b>	<b>3,483,842</b>
<b>NET ASSETS</b>		<b>3,124,031</b>	<b>2,373,578</b>
<b>EQUITY</b>			
Issued capital		28,483,204	26,881,441
Stock option reserve		100,007	100,007
Shares paid but not yet allotted		-	42,900
Accumulated losses		(25,459,180)	(24,650,770)
<b>TOTAL EQUITY</b>		<b>3,124,031</b>	<b>2,373,578</b>

Notes to the financial statements are included on pages 16 to 20.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2014

	Consolidated				
	Issued capital	Shares paid but not yet allocated reserve	Stock option reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance as at 1 January 2013</b>	23,890,095	-	-	(16,495,864)	7,394,231
Prior period adjustment	-	-	-	(210,740)	(210,740)
Restated balance	23,890,095	-	-	(16,706,604)	7,183,491
Stock option reserve	-	-	7,887	-	7,887
Profit for the period	-	-	-	63,428	63,428
<b>Balance as at 30 June 2013</b>	<b>23,890,095</b>	<b>-</b>	<b>7,887</b>	<b>(16,643,176)</b>	<b>7,254,806</b>
<b>Balance as at 1 January 2014</b>	26,881,441	42,900	100,007	(24,650,770)	2,373,578
Cost of capital raising	91,037	-	-	-	91,037
Shares issued during the year	1,510,726	(42,900)	-	-	1,467,826
Loss for the year	-	-	-	(808,410)	(808,410)
<b>Balance as at 30 June 2014</b>	<b>28,483,204</b>	<b>-</b>	<b>100,007</b>	<b>(25,459,180)</b>	<b>3,124,031</b>

Notes to the financial statements are included on pages 16 to 20.



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 30 June 2014

		<b>Consolidated</b>	
		<b>Half-year ended 30 June 2014</b>	<b>Half-year ended 30 June 2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		2,374,939	2,526,581
Payments to suppliers and employees		(3,935,298)	(849,662)
R&D refund		366,847	-
Interest received		3,417	-
Interest and other costs of finance paid		(15,010)	(12,014)
Net cash (used in) / provided by continuing operations		(1,205,105)	1,664,905
Net cash used in discontinued operations	11	(177,126)	(1,434,537)
<b>Net cash (used in) / provided by operating activities</b>		<b>(1,382,231)</b>	<b>230,368</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(10,823)	-
<b>Net cash used in investing activities</b>		<b>(10,823)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		669,749	3,124,137
Repayment of borrowings		(644,889)	(3,246,912)
Proceeds from issue of share capital		1,477,273	-
<b>Net cash provided by / (used in) financing activities</b>		<b>1,502,133</b>	<b>(122,775)</b>
<b>Net increase in cash held</b>		<b>109,079</b>	<b>107,593</b>
Cash at the beginning of the half-year		1,008,042	33,290
<b>Cash at the end of the half-year</b>		<b>1,117,121</b>	<b>140,883</b>

Notes to the financial statements are included on pages 16 to 20.

# NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 30 June 2014

## 1. Summary of accounting policies

### **Corporate Information**

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 14 August 2014.

ComOps Limited is a limited company incorporated and domiciled in Australia whose shares are publically traded. The principal activities of the company and its subsidiaries (the Group) are described in Note 5.

### **Basis of preparation**

The half-year consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with AASB 134 Interim Financial Reporting. The half-year consolidated financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at 31 December 2013.

The company has adopted a number of new accounting standards and interpretations that became effective 1 January 2014 which have not had a material impact.

### **Significant accounting policies**

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial liabilities for which the fair basis of accounting has been applied.

The following significant accounting policies, which are consistent with the most recent financial report, have been adopted in the preparation and presentation of the financial report:

### **Valuation of intangible assets**

The valuation of intangible assets and the assessment of the Group as a going concern are based on forecast results prepared by management and approved by the Board of Directors. These forecasts include recent restructuring in operating divisions and the ongoing efforts of the company to build its sales force and revenue pipeline which management is confident will enhance growth prospects.

### **Going concern**

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. The Consolidated Statement of Financial Position as at 30 June 2014 reflects a deficiency in working capital of \$586,310 (31 December 2013: \$1,494,676). As a result of continuing restructuring undertaken during the quarter and from prior periods, the company has reported a net loss before tax of \$808,410 and negative cashflows of \$1,382,231 for the period.

The Company does not expect cash expenditure to continue at the level indicated in the June 2014 Appendix 4C. The Board is confident that significant steps undertaken to restructure the operations will result in positive operating cashflows and will ensure the Company's ability to continue as a going concern.

In August 2013 the company was successful in securing a \$1m trade receivables factoring facility. The outstanding balance of the facility as at 30 June 2014 was \$24,860. The Company has had sufficient cash flows to date, which has resulted in a minimal need to draw down on the facility.

Whilst the company has successes in new business sales, there remains significant economic volatility in the market which causes some uncertainty as to whether forecast sales will be achieved.

Should the company be unable to achieve the forecast profitable growth in the business, this would cast doubt about the company's ability to continue as a going concern. If the company was to not continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern and meet its debts as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 30 June 2014

## 2. Income tax

	Half-year ended 30 June 2014	Half-year ended 30 June 2013
	\$	\$
<i>Income tax recognised in profit or loss</i>		
Tax benefit comprises:		
Current tax benefit	490,999	213,823
R&D tax rebate	-	355,249
Current period losses not booked	(490,999)	(213,823)

At 30 June 2014, there are unrecognised deferred tax assets of \$9,092,705 (31 Dec 2013: \$8,601,706) arising from cumulative income tax losses not brought to account. These losses are available for offset against future taxable profits of the companies in which the losses arose. As of the date of this report, the Directors and management believe it is premature to reflect additional deferred income tax assets based on their conservative assessment that realisation is not probable in the short term.

## 3. Intangible assets

	Consolidated	
	Half-year ended 30 June 2014	Year ended 31 Dec 2013
	\$	\$
<u>Goodwill</u>		
Workforce Management Pillar	3,328,849	3,328,849
<u>Other Intangibles</u>		
Software Asset	244,027	328,174
Total Intangible Assets	3,572,876	3,657,023

### Goodwill

Goodwill relates to the Workforce Management Pillar and includes entity acquisitions incorporating Human Capital Solutions Group Pty Ltd, Concentric Business Solutions Limited, Microster Solutions Pty Limited and Salvus Solutions Pty Ltd.

Sensitivity analyses were performed by management taking into account the financial projections noted. A reduction in the projected revenue growth from 10% to 5% would result in goodwill being impaired by \$2.1m. An increase of 5% in the discount rate would not result in any further impairment.

### Software Asset

	Consolidated	
	Half-year ended 30 June 2014	Year ended 31 Dec 2013
	\$	\$
Opening balance, net	328,174	496,620
Addition	-	-
Amortisation expense	(84,147)	(168,446)
Disposal	-	-
Closing balance	244,027	328,174

The software asset was capitalised in 2008 and relates to the Microster software asset. The acquisition cost totalled \$1,178,061. This software is being amortised over 7 years and has a net carrying value of \$244,027 as at 30 June 2014 (31 December 2013: \$328,174).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 30 June 2014

## 4. Subsequent events

There has not been any matter or circumstance that has arisen since 30 June 2014 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or that state of the consolidated entity in the future financial years.

## 5. Segment information

The consolidated entity is organised into one major operating business for management reporting purposes, being Workforce Management. The prior acquisitions of Human Capital Solutions Group Pty Ltd ("HCS"), Microster Solutions Pty Ltd ("Microster"), and Salvus Solutions Pty Ltd ("Salvus") operate under the Workforce Management business.

The Workforce Management business focuses on providing effective Workforce Management solutions including Rostering & Scheduling, Award Interpretation, Labour Cost Management, Fatigue Risk Management, Leave Management, Time & Attendance, Employee Self-Service Portals, Risk Management & Safety Compliance and Workforce Analytics. The software central to this business is **Microster** (Workforce Management Solutions), **Salvus** (Safety, Risk and Claims Solutions) and **Content Solutions** (Innovative Multimedia Learning and communications).

	Half-year ended 30 June 2014	Half-year ended 30 June 2013
	\$	\$
<b>Segment revenues</b>		
Enterprise Resource Planning - held for sale	-	2,476,159
Workforce Management	2,815,291	3,367,228
Admin	3,364	-
	<u>2,818,655</u>	<u>5,843,387</u>
<b>Segment results</b>		
Enterprise Resource Planning - held for sale	(67,783)	1,153,647
Workforce Management	536,250	1,192,249
Admin	3,320	-
Total of all pillars	<u>471,787</u>	<u>2,345,896</u>
<b>Head Office costs and interest</b>		
Employee benefits expense	(421,801)	(922,605)
Consultants' fees	(216,105)	(257,002)
Directors' fees	(122,000)	(83,000)
Depreciation, amortisation expense	(7,264)	(48,683)
Finance costs	(2,221)	(309,154)
Occupancy costs	(219,880)	(492,004)
Travel expenses	(8,814)	(39,722)
Corporate activity costs	(91,860)	(160,473)
Communication expenses	(13,493)	(35,024)
Other expenses	(176,759)	(290,050)
Total of Head Office costs and interest	<u>(1,280,197)</u>	<u>(2,637,717)</u>
Loss for the period before income tax expense	<u>(808,410)</u>	<u>(291,821)</u>
Income tax benefit	-	355,249
(Loss) / profit for the period	<u>(808,410)</u>	<u>63,428</u>

## Geographical segments

The consolidated entity operates predominantly in eastern Australia with its branch offices in Sydney, Newcastle and Melbourne. The Company also has a number of clients within New Zealand. The segment revenues are earned predominately in Australia.

## 6. Dividends

The directors have not declared an interim dividend in respect of the half-year ended 30 June 2014.

## 7. Changes in the composition of the consolidated entity

There were no changes to the composition of the consolidated entity in the half-year ended 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 30 June 2014

## 8. Significant transactions

There were no significant transactions in the half-year ended 30 June 2014.

## 9. Issued and quoted securities at end of current period

		Total number	Number quoted		
<b>9.1</b>	<b>Ordinary securities</b>				
	As at 31 December 2013	322,062,291	322,062,291		
	<b>As at 30 June 2014</b>	<b>388,062,291</b>	<b>388,062,291</b>		
				Exercise price	Expiry date
<b>9.2</b>	<b>Issued options (non-dilutive)</b>				
	Employees' Option Scheme	2,000,000	Nil	2 cents	30 Jun 2019
	Other parties				
	- Connaught Place Investments Pty Ltd	5,000,000	Nil	1 cent	30 Jun 2019
	- Hugabel Pty Ltd	3,333,333	Nil	1.5 cents	31 Dec 2016
	- Kestrel Capital Pty Ltd	2,000,000	Nil	0 cents	31 Dec 2016
	<b>Expired during current period</b>				
	Employees' Option Scheme	Nil	Nil	n/a	n/a
	Other parties	Nil	Nil	n/a	n/a
	<b>Exercised during current period</b>				
	Employees' Option Scheme	Nil	Nil	n/a	n/a
	Other parties	Nil	Nil	n/a	n/a

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 30 June 2014

## 10. Earnings per share

	Half-year ended 30 June 2014	Half-year ended 30 June 2013
	<u>cents per share</u>	<u>cents per share</u>
Basic earnings per share (from continuing operations)	(0.25)	(0.83)
Diluted earnings per share (from continuing operations)	<u>(0.25)</u>	<u>(0.83)</u>
Basic earnings per share (from discontinuing operations)	-	0.88
Diluted earnings per share (from discontinuing operations)	<u>-</u>	<u>0.88</u>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Basic EPS disclosure</b>		
Numerator used in EPS calculation from continuing operations	(740,627)	(1,090,219)
Net loss after tax	<u>(740,627)</u>	<u>(1,090,219)</u>
Numerator used in EPS calculation from discontinuing operations	(67,783)	1,153,647
Net profit after tax	<u>(67,783)</u>	<u>1,153,647</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>327,921,509</u>	<u>130,995,085</u>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Diluted EPS disclosure</b>		
Earnings used in diluted EPS calculation from continuing operations	(740,627)	(1,090,219)
Net profit/(loss)	<u>(740,627)</u>	<u>(1,090,219)</u>
Earnings used in diluted EPS calculation from discontinuing operations	(67,783)	1,153,647
Net profit/(loss)	<u>(67,783)</u>	<u>1,153,647</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>327,921,509</u>	<u>130,995,085</u>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 30 June 2014

## 11. Assets and liabilities classified as held for sale

Revenue and expenses relating to the discontinuation of the ERP segment have been eliminated from the profit of the Group's continuing operations for the half year and are shown as a single line item on the face of the consolidated statement of profit and loss and other comprehensive income, which is summarised as follows:

	<b>Consolidated</b>	
	<b>Half-year ended 30 June 2014</b>	<b>Half-year ended 30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Revenue	-	2,476,159
Employee benefits expense	-	(1,101,991)
Consultants' fees	-	(179,727)
Depreciation , amortisation, impairment expense	-	(6,404)
Occupancy costs	-	(11,176)
Travel expenses	-	(8,729)
Communication expenses	-	(7,486)
Legal expenses	(67,783)	-
Other expenses	-	(6,949)
<b>Profit / (loss) before income tax</b>	<b>(67,783)</b>	<b>1,153,647</b>
Income tax benefit/(expense)	-	-
<b>Profit / (loss) for the period</b>	<b>(67,783)</b>	<b>1,153,647</b>

Cash flows generated by the ERP segment held for disposal for the half year to 30 June 2014 are as follows:

	<b>Consolidated</b>	
	<b>Half-year ended 30-Jun-14</b>	<b>Half-year ended 30-Jun-13</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from discontinued operations</b>	<b>(177,126)</b>	<b>(1,434,537)</b>