

## 4C Security Solutions Limited

ABN 89 000 029 265

Level 1, 82 Waterloo Road  
North Ryde NSW 2113 Australia

PO Box 1948  
Macquarie Centre  
North Ryde NSW 2113

**Phone:** +61 2 8817 2800

**Fax:** +61 2 8817 2811

**Email:** [info@4csecuritysolutions.com](mailto:info@4csecuritysolutions.com)

**Web:** [www.4csecuritysolutions.com](http://www.4csecuritysolutions.com)

27 February 2009

Dear Shareholder,

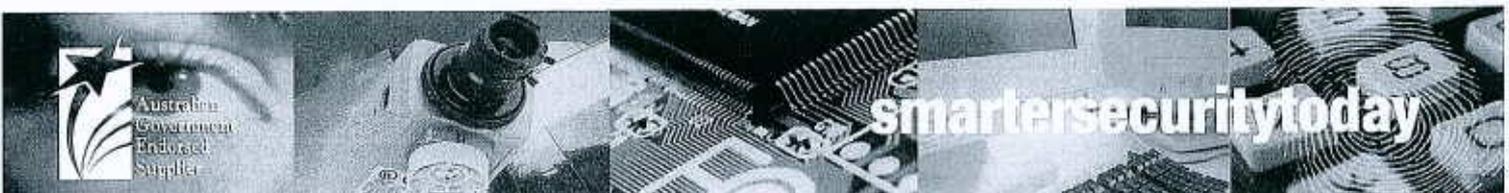
Please find attached the company's financial results for the first half of the fiscal year 2009, with the company's losses down to \$1.3 M AUD from \$5.1 M AUD the first half of the previous fiscal year.

The 4C Security Solutions team ensures you that we will continue working towards achieving our company's profitability at the earliest possible, and generate shareholder value.

Kind Regards

A handwritten signature in black ink, appearing to be 'A. Angeloglou', written over a light gray background.

Anastasios Angeloglou  
CEO



**4C SECURITY SOLUTIONS LTD**  
**ABN 89 000 029 265**  
**AND CONTROLLED ENTITIES**

**HALF-YEAR INFORMATION**

**FOR THE SIX MONTHS ENDED 31  
DECEMBER 2008**

**PROVIDED TO THE ASX UNDER LISTING  
RULE 4.2A**

**This half-year financial report is to be read in conjunction with the  
financial report for the year ended 30 June 2008.**

Rule 4.2A.3

## Appendix 4D

### Half Year Report for the six months to 31 December 2008

Name of entity

**4C Security Solutions Ltd**

**ABN or equivalent company: 89 000 029 265**

#### 1. Reporting period

Report for the half year ended: 31.12.2008

Previous corresponding period is the financial year ended 30.06.2008 and half year ended 31.12.2007

#### 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	up	10 %	to	2,809,011
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	down	396 %	to	(1,295,271)
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	down	396%	to	(1,295,271)
<b>Dividends (<i>item 2.4</i>)</b>		Amount per security		Franked amount per security
Interim dividend		N/A		
Final dividend				N/A
Previous corresponding period		N/A		N/A
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )				
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):				

**3. Net tangible assets per security (item 3)**

	Current period	Previous corresponding period
Net tangible asset per ordinary security	7.1 cents	1 cents

**4. Details of entities over which control has been gained or lost during the period: (item 4)**

**Control gained over entities**

Name of entity (item 4.1)	N/A	
Date(s) of gain of control (item 4.2)		
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)		\$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)		\$

**Loss of control of entities**

Name of entity (item 4.1)	N/A	
Date(s) of gain of control (item 4.2)		
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)		\$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)		\$

**5. Dividends (item 5)**

	Date of payment	Total Amount of dividend
Interim dividend - year ended 30 June 2007	N/A	\$
Final dividend - year ended 30 June 2008	N/A	\$

**Amount per security**

		Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
<b>Total Dividend</b>	<i>Current year</i>	N/A	N/A	\$
	<i>Previous year</i>	N/A	N/A	\$

**Total dividend on all securities**

:

	Current Period \$A'000	Previous corresponding Period
Ordinary securities (each class separately)		
Preference securities (each class separately)		
Other equity instruments (each class separately)		

&

**6. Details of dividend or distribution reinvestment plans in operation are described below (item 6):**

N/A

**7. Details of associates and joint venture entities (item 7)**

Name of associate or joint venture entity	% Securities held

Aggregate share of profits (losses) of associates and joint venture entities

	2008	2007
Group's share of associates' and joint venture entities':	\$	\$
Profit (loss) from ordinary activities before tax		
Income tax on ordinary activities		
Net profit (loss) from ordinary activities after tax		
Adjustments		
Share of net profit (loss) of associates and joint venture entities		

**8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian accounting standards.**

**9. Independent review of the financial report (item 9)**

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**10. Matters relating to a qualified independent review statement**

A description of the dispute or qualification in respect of the independent review of the half-year financial report is provided below (*item 17*)

**4C SECURITY SOLUTIONS LTD**

**ABN 89 000 029 265**

**And CONTROLLED ENTITIES**

**FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**

**31 DECEMBER 2008**

This half year financial report is to be read in conjunction with the financial report  
of the year ended 30 June 2008

**4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2008**

**TABLE OF CONTENTS**

	Page
Directors' Report	3
Auditor's Independence Declaration	5
Financial Report for the half year ended 31 December 2008	
Condensed Consolidated Income Statement	6
Condensed Consolidated Balance Sheet	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	19
Independent Review Report	20

The accompanying notes form part of these statements

**4C SECURITY SOLUTIONS LTD AND  
CONTROLLED ENTITIES DIRECTORS' REPORT**

The directors presents their report together with the condensed financial report of the consolidated entity consisting of 4C SECURITY Solutions Ltd and the entities it controlled, for the half-year ended 31 December 2008 and independent review report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

**Directors Names**

The names of the directors in office at any time during or since the end of the half-year are:

<b>Name</b>	<b>Period of directorship</b>
Michael I Nissen	Since 6 July 1998
Allan N K Kwok	Since 26 November 2002
Abdulrahman Falaknaz	Since 28 November 2002
Anastasios Angeloglou	Since 3 March 2008

The director has been in office since the start of the financial period to the date of this report unless otherwise stated.

**Review of Operations**

The company's global half year sales revenue increased by 10 % compared to the previous corresponding period to \$2 809 011, outlining the direction in which 4C Security Solutions will continuing to push her ultimate reader's and smart-card technology.

The consolidated loss of the group for the half-year, after providing for income tax, amounted to \$1,295,271 (2007: Loss of \$ 5,133,177). This vast decrease of expense coming from consecutive policy adopted from the new management and improved financial discipline The financial crunch did not pass through the company without impact. The increased competition push the management to undertake some additional measures more than already announced on extraordinary meeting held in June and regular Annual meeting held in November.

The Company's investment in research and development has continued and during the period an ATO R&D tax Offset payment was received of r \$336,585, which related to the eligible R&D during the 2006-7 financial year.

**-Share Capital Movements**

During the half-year period the Company received \$2 704 960 AUD from selling shares and options.

**Auditor's Declaration**

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors:

Director      Anastasios Angeloglou

Dated      this      27<sup>th</sup>      day      of  
February 2008

## **AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of 4C SECURITY SOLUTIONS Ltd.**

i In relation to the half-year independent review for the six months to 31 December 2008, to the best of my knowledge and belief there have been:

- ~ (i) No contraventions of the auditor independence requirements of the Corporations Act 2001
- (ii) No contraventions of any applicable code of professional conduct

**i**  
**Date 27 February 2008**  
**Sydney**

**Wong & Mayes**  
**Martin G Thompson**  
**Partner**

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Half year	
	2008	2007
Sales revenue	2 713 178	2 550 414
Services	95 833	
<b>Total revenue</b>	<b>2 809 011</b>	<b>2 550 414</b>
Changes in inventories of finished goods and work in progress	(1 056 733)	(992 104)
Employee benefits expense	(1 645 393)	(1 394 561)
Depreciation and amortisation expenses	(26 830)	(91 899)
Set-up expenses for UAE branch office		(655 186)
Finance costs	(8 079)	(942)
Administration expenses	(1 258 812)	(658 091)
Consulting fees	(150 913)	(1 749 811)
Marketing expenses	(53 005)	(743 870)
Share based payment expenses		(999 600)
Other expenses	(283 931)	(515 182)
<b>Total expenses</b>	<b>( 3 426 963)</b>	<b>(6 809 142)</b>
FX Gain/(loss)	26 375	(25 564)
Interest income	17 592	143 219
Interest Expense	(1 138)	-
<b>Profit before income tax</b>	<b>(1 631 856)</b>	<b>(5 133 177)</b>
Income tax expense (income tax benefit)	336 586	-
<b>Profit from continuing operations</b>	<b>(1 295 271)</b>	<b>(5 133 177)</b>
Profit (loss) from discontinued operations	-	-
<b>Profit for the half-year</b>	<b>(1 295 271)</b>	<b>(5 131 177)</b>
Profit attributable to minority interests		
<b>Profit attributable to the members of the parent</b>	<b>(1 295 271)</b>	<b>(5 133 177)</b>
Basic earnings per share (cents)	(0.02)	(1.5)
Diluted earnings per share (cents)	(0.02)	(1.3)

**4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	31.12.2008	31.12.2007
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	192 609	1 605 069
Trade receivables	2 136 363	1 186 922
Inventories	1 692 228	1 585 174
<b>TOTAL CURRENT ASSETS</b>	<b>4 021 199</b>	<b>4 377 165</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	232 958	184 655
Property plant and equipment	372 675	576 183
Intangible assets	1 520 500	5 447 698
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2 126 133</b>	<b>6 208 536</b>
<b>TOTAL ASSETS</b>	<b>6 147 333</b>	<b>10 585 701</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1 785 733	1 220 337
Short-term provisions	624 740	332 129
Other current liabilities	414 641	
<b>TOTAL CURRENT LIABILITIES</b>	<b>2 825 114</b>	<b>1 552 466</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term provisions	-	112 636
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>112 636</b>
<b>TOTAL LIABILITIES</b>	<b>2 825 114</b>	<b>1 665 102</b>
<b>NET ASSETS</b>	<b>3 322 219</b>	<b>8 920 599</b>
<b>EQUITY</b>		
Share capital	58 087 501	53 833 750
Other reserves	24 291 340	24 291 339
Retained earnings	(77 761 351)	(64 071 313)
Current year Profit(loss)	(1 295 271)	(5 133 177)
Parent entity interest	3 322 219	8 920 599
<b>TOTAL EQUITY</b>	<b>3 322 219</b>	<b>8 920 599</b>

**4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	<b>Half-year</b>	
	<b>2008</b>	<b>2007</b>
<b>TOTAL EQUITY AT BEGINNING OF</b>	<b><u>1,913,270</u></b>	<b><u>12,649,776</u></b>
<b>THE HALF-YEAR</b>		
Share based payment reserve	<u>-</u>	999,600
Net income recognized directly in equity		999,600
<b>Profit/loss for the year</b>	<b>(1,295,271)</b>	<b>(5,133,177)</b>
<b>Total recognized income and expense for the period</b>	<b>(1,295,271)</b>	<b>(4,133,577)</b>
Attributable to:		
Members of the parent	(1,295,271)	(4,133,577)
Minority interest	-	-
<b>Transactions with equity holders in their capacity as</b>		
<b>equity holders</b>		
Contributions	<u>2,704,960</u>	<u>404,400</u>
<b>TOTAL EQUITY AT THE END OF YEAR</b>	<b>3,222,219</b>	<b>8,920,599</b>

**4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	2,551,440	2,711,889
Operating grant receipts	336,585	363,825
Payments to suppliers and employees	(5,388,067)	(7,084,393)
Interest received	7,764	131,971
<b>Net cash provided by operating activities</b>	<b><u>(2,492,278)</u></b>	<b><u>(3,876,708)</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	(58,978)	(63,053)
Payment for other non-current asset	(67,485)	
<b>Net cash provided by investing activities</b>	<b><u>(126,463)</u></b>	<b><u>(63,053)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from share issue	2,704,960	404,400
<b>Net cash provided by financing activities</b>	<b><u>2,704,960</u></b>	<b><u>404,400</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>85,717</b>	<b>(3,535,361)</b>
Cash and cash equivalents at beginning of half year	106,892	5,140,430
<b>Cash and cash equivalents at end of the half-year</b>	<b>192,609</b>	<b>1,605,069</b>

## **4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**

**Notes to the financial statements 31 December 2008**

### **NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**

**31 DECEMBER 2008**

#### **NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2008 and any public announcements made by 4C SECURITY Solutions Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

##### **(a) Basis of preparation of the half-year financial report**

This is the first financial report of 4C SECURITY Solutions Ltd prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of 4C SECURITY Solutions Ltd were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

##### **Summary of the significant accounting policies under AIFRS:**

##### **(b) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which 4C SECURITY Solutions Limited controlled from time to time during the year and at balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

##### **(c) Revenue Recognition**

Revenue from the sale of goods is recognized upon the delivery of goods to customers. Revenue from the rendering of a service is recognized upon delivery of the service to the customer.

Government grants received that relate to specific assets or expenses are deferred and recognized as income in the same period as the asset is consumed or when the associated expenses are incurred.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

## 4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES

### Notes to the financial statements 31 December 2008

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

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

#### (d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials and consumables: purchase cost on a first-in-first-out basis; Finished goods and work-in-progress: cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

#### (f) Property, plant and equipment

##### *Cost and valuation*

Freehold land and buildings are measured at fair value. At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value. Changes in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity after bringing to account any capital gains tax that would arise on disposal of that asset.

All other classes of property, plant and equipment are measured at cost.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. Refer to note l(i).

##### *Depreciation*

Land is not depreciated. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2008	2007
Plant and equipment:	4 to 7 years	4 to 7 years
Leased plant and equipment:	5 years	5 years

#### (g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

## 4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES

### Notes to the financial statements 31 December 2008

#### *Finance Leases*

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalized, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Income Statement.

The cost of improvements to or on leasehold property is capitalized, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

#### *Operating Leases*

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

### **(g) Intangibles**

#### *Goodwill*

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

#### *Intellectual Property*

Intellectual Property is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

#### *Research and Development*

The expenditure on research activities is recognized as an expense when incurred.

Expenditure on development activities is capitalized only when it is expected beyond reasonable doubt that future benefits will exceed the deferred costs. Capitalized development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost over a period, during which the related benefits are expected to be realized, once commercial production is commenced. Other development expenditure is recognized as an expense when incurred.

### **(h) Impairment of assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

## 4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES

### Notes to the financial statements 31 December 2008

#### (i) Taxes

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. A balance sheet approach is adopted under which deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognized in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognized for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Current and deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

#### (j) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

##### *Share-based payments*

The group operates an employee share option plan and an employee share scheme. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. Under the transitional arrangements for first-time adoption of AIFRS, no expense has been recognised for options granted before 7 November 2002 and/or vested before 1 January 2005. For options granted after 7 November 2002 and vesting after 1 January 2005 the fair value of options at grant date is determined using a Black-Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an expense when the employees become entitled to the shares.

## 4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES

### Notes to the financial statements 31 December 2008

#### (I) Financial Instruments

##### *Classification*

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the designation at each reporting date.

##### *Financial assets affair value through profit or loss*

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognized in the profit and loss of the current period. Fair value of listed investments are based on current bid prices.

Non-listed investment for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

##### *Held-to-Maturity Investments*

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

##### *Loans and Receivables*

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

##### *Available-for-Sale*

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss. An impairment loss arising in relation to an "available-for-sale" instrument is recognised directly in profit and loss for the period.

##### *Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

##### *Hedge Accounting*

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction the group documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

## 4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES

### Notes to the financial statements 31 December 2008

#### (i) Fair value hedge

Changes in fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### (ii) Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable. Changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in equity in the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge.

### (m) Foreign Currencies

#### *Functional and presentation currency*

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

#### *Transactions and Balances*

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

#### *Group Companies*

The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- \* Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- \* Income and expenses are translated at average exchange rates for the period; and
- \* All resulting exchange differences are recognized as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the balance sheet.

### (n) Comparatives

In accordance with the first-time adoption of AIFRS, comparative information has been reclassified where appropriate through retrospective application of AIFRS to the previous year results so as to achieve consistency with current year disclosures.

**4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**  
**Notes to the financial statements 31 December 2008**

**NOTE 2: COMPARATIVE INFORMATION SEASONAL OPERATIONS**

The entity's operations are not seasonal and therefore there are no substantial variations between levels of revenues or profits for different interim periods during the year.

**NOTE 3: SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the half-year that have not been recognised in the half-year financial statements.

**NOTE 4: SIGNIFICANT ITEMS**

	2008	2007
	\$	\$
Share based payments expense		999,600

**NOTE 5: REVISION OF ACCOUNTING ESTIMATES**

There has been no revision of accounting estimates during the current interim period

**NOTE 6: DIVIDENDS**

No dividends were declared or paid during the current and previous interim periods.

**4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**  
**Notes to the financial statements 31 December 2008**

**NOTE 7: SEGMENT REPORTING**

<b>GEOGRAPHICAL</b>	<b>HALF YEAR</b>	
<b>SEGMENT REVENUE</b>	<b>2008</b>	<b>2007</b>
Australia	1,106,792	1,320,396
UAE	881,716	-
UK	422,181	1,126,714
USA	398,322	103,304
Unallocated revenue	16,454	143,219
<b>Total revenue</b>	<b><u>2,825,465</u></b>	<b><u>2,693,633</u></b>
<b>SEGMENT RESULT</b>		
Australia	(1,049,003)	(4,288,976)
UAE	(219,068)	-
UK	(7,196)	(560,938)
USA	(20,004)	(283,263)
<b>Profit before income tax</b>	<b><u>(1,295,271)</u></b>	<b><u>(5,133,177)</u></b>

**NOTE 8: ISSURANCES, REPURCHASES, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES**

- On 11 July 2008 The company implemented 7 for 1 capital consolidation of all shares and options on issue at that date
- On 1 July 4C Control acquire 15,000,000 old shares for 3,000,000 AUD
- On 22 September On 22 September 2008, listed options with ASX at an exercise price of 10 cents and expiry date of 31 December 2013 were issued under the terms of the SPA to:
  - 4C Controls Inc 9,500,000
  - **Financial Advisors**
  - Prime Asset Finance Ltd 12,214,286
  - Arimathea Limited 4,500,000

## **4C SECURITY SOLUTIONS LTD AND CONTROLLED ENTITIES**

### **Notes to the financial statements 31 December 2008**

In addition, 714,286 unlisted options with an exercise price of 10 Cents and expiry date of 31 December 2013 were issued to each of the following directors.

- A Falaknaz
- A Angeloglou
- M Nissen
- A Kwok

These options have a performance hurdles whereby the exercised date is conditional on the later of the fund anniversary of the allotment date and when the five day weighted average of the Company's share price on ASX reached \$1.75.

### **NOTE 9: CHANGES IN THE COMPOSITION OF THE ENTITY**

There have been no changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

### **NOTE 10: CONTINGENT LIABILITIES**

There have been no changes in contingent liabilities since 30 June 2008.

## **4C SECURITY SOLUTIONS LTD**

### **DIRECTORS DECLARATION**

The directors declare that the financial statements and notes set out on pages 6 to 17 are in accordance with the Corporations Act 2001:

- (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 financial position of the consolidated entity as at 31 December 2008 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that BQT Solutions Ltd 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 directors.

**ANASTASIOS ANGELOGLOU**

**DIRECTOR**

**27 February 2009**

## **To the members of 4C Solutions Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of 4C Solutions Limited, which comprises the condensed Balance Sheet as at 31 December 2008, and the condensed Income Statement, condensed Statement of Changes in Equity and condensed Cash Flow statement for the half-year ended on that date and the Directors' declaration.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of 4C Solutions Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard ASRE 2410 Review of an Interim 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of 4C Solutions 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 have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of 4C Solutions Limited on 26 September 2008 would be in the same terms if provided to the directors as at the date of this auditor's review report.

### 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 4C Solutions Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2008 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.

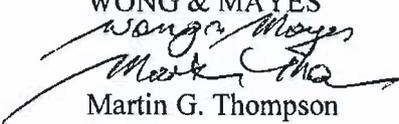
### Emphasis of Matter

At 31st December 2008, the Company had a material deficiency of net current assets and there was insufficient cash on hand and current receivables to meet trade and other creditors in the immediate future.

However, we have been advised by Management of the Company that credit facilities, with particular emphasis on project financing, have been negotiated to address this liquidity deficiency. We have also been advised by Management that trading operations in the United Arab Emirates and in the United States of America are expected to generate sufficient positive cash flows by May 2009 to cover the net current asset deficiency.

During the review period, sales of \$818,716 were booked in the United Arab Emirates. These sales have been excluded from the trading results for the review period due to the requirements of the International Financial Reporting Standards (IFRS). The inclusion of these sales in the trading results of the Company for the review period would have reduced the operating loss by \$161,585.

WONG & MAYES

  
Martin G. Thompson  
Partner

26 February 2009