

**IFS Construction Services Limited**

**Interim report**

ABN 35 107 371 460

**For the half-year ended 30 June 2011**

**IFS Construction Services Limited** ABN 35 107 371 460  
**Interim report – 30 June 2011**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2010 and any public announcements made by IFS Construction Services Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors submit the financial report of the consolidated entity for the half-year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Directors**

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Billy Ong	Executive Chairman	Anita Ong	Non-executive Director
Doug Weir	Chief of Operations	Michael Fisk	Non-executive Director
Stuart Usher	Finance & Administration Director		

**REVIEW OF RESULT AND OPERATIONS**

Since re-structure of the Board, the Company has been in a state of consolidation which has been paramount over the six months, whilst IFS strengthens the business operations and capability of its services for delivery as a hire and sales business with a geographical spread across Australia and through Asia. The utilisation of its assets has been at its highest since listing on the Australian Securities Exchange (ASX) in 2009 and profit margins across its business operations are increasing which give rise to greater contributions towards the net trading result.

The Board of Directors have pleasure in presenting this interim financial report for the six months ended 30 June 2011. The Corporate Executive, representing its three executive Directors being, Executive Chairman Billy Ong, Chief of Operations Douglas Weir and Finance & Administration Director Stuart Usher, have spent tireless hours managing the business operations and at the same time seeking new business opportunities. Growth has been experienced across all business operations and is in accordance with a Forecast plan set by the Board after the Board restructure on January 12<sup>th</sup> 2011.

The Directors are pleased to announce that our Karratha North West operation has begun to yield results, it is projected to continue to strengthen its growth throughout the remainder of the year.

Sydney continues to secure further bridge contracts and has also contributed to the group's growth.

Perth continues to contribute positively with significant projects secured and continued growth in Western Australia.

Under intense competition in Asia, Indonesia, Vietnam and especially Singapore still perform satisfactory.

Summary of Financial Results

A summary breakdown of the results is provided in the table below.

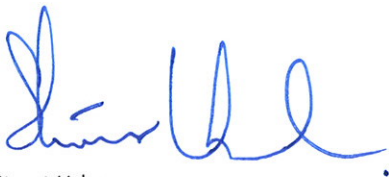
Half-year ended	30 June 2011	30 June 2010
	\$'000	\$'000
Total revenue	10,985	10,240
Normalised operating EBITDA	829	243
One-off costs	-	<sup>1</sup> 222
Reported EBITDA	829	21
Loss before tax	(285)	(878)
Loss after tax	(162)	(661)

<sup>1</sup> Karratha set-up costs

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made in accordance with a resolution of directors.



Mr Stuart Usher  
Director

Perth WA  
31 August 2011

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of IFS Construction Services Limited for the half-year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia  
31 August 2011**

**W M CLARK  
Partner, HLB Mann Judd**

IFS Construction Services Limited

## Condensed statement of comprehensive income

For the half-year ended 30 June 2011

	Notes	Consolidated	
		30 June 2011	30 June 2010
		\$	\$
<b>Revenue</b>		<b>10,610,822</b>	10,120,116
Other income	2	<b>374,119</b>	120,086
Cost of inventory sales		<b>(936,742)</b>	(1,935,814)
Occupancy		<b>(1,122,670)</b>	(797,111)
Transportation		<b>(408,633)</b>	(392,615)
Personnel expenses		<b>(6,151,682)</b>	(5,646,611)
Depreciation & amortisation expense	2	<b>(795,094)</b>	(682,880)
Finance costs		<b>(265,267)</b>	(216,506)
Professional fees and services	2	<b>(312,180)</b>	(352,256)
Administration		<b>(927,563)</b>	(846,132)
Other expenses		<b>(350,229)</b>	(248,770)
<b>Loss before income tax</b>		<b>(285,119)</b>	(878,493)
Income tax benefit		<b>123,059</b>	217,485
<b>Loss for the half year</b>		<b>(162,060)</b>	(661,008)
<b>Other comprehensive income after income tax:</b>			
Exchange differences on translating foreign controlled entities		<b>2,454</b>	69,007
<b>Total comprehensive result for the half year</b>		<b>(159,606)</b>	(592,001)

Cents                      Cents

**Earnings per share:**

Basic (loss) / earnings per share	<b>(0.09)</b>	(0.41)
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*The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.*

**IFS Construction Services Limited**  
**Condensed statement of financial position**  
As at 30 June 2011

	Notes	Consolidated	
		30 June 2011 \$	31 December 2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		215,875	560,820
Trade and other receivables		5,090,969	3,507,652
Inventories		564,340	637,719
Current tax asset		11,087	22,081
Other		152,869	258,043
<b>Total Current Assets</b>		<b>6,035,140</b>	<b>4,986,315</b>
<b>Non-Current Assets</b>			
Other financial assets		150,000	150,000
Property, plant and equipment	4	26,428,944	26,382,174
Intangible assets		1,631,598	1,631,598
<b>Total Non-Current Assets</b>		<b>28,210,542</b>	<b>28,163,772</b>
<b>Total Assets</b>		<b>34,245,682</b>	<b>33,150,087</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		5,974,225	4,414,515
Borrowings		5,617,152	5,676,971
Current tax payables		51,662	20,646
Provisions		56,983	103,197
<b>Total Current Liabilities</b>		<b>11,700,022</b>	<b>10,215,329</b>
<b>Non-Current Liabilities</b>			
Borrowings		490,587	565,632
Deferred tax liabilities		366,563	521,010
<b>Total Non-Current Liabilities</b>		<b>857,150</b>	<b>1,086,642</b>
<b>Total Liabilities</b>		<b>12,557,172</b>	<b>11,301,971</b>
<b>Net Assets</b>		<b>21,688,510</b>	<b>21,848,116</b>
<b>EQUITY</b>			
Contributed equity		24,748,928	24,748,928
Reserves		213,545	211,091
Accumulated losses		(3,273,963)	(3,111,903)
<b>Total Equity</b>		<b>21,688,510</b>	<b>21,848,116</b>

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

IFS Construction Services Limited  
**Condensed statement of changes in equity**  
For the half-year ended 30 June 2011

	Contributed equity	Consolidated		Total equity
		Reserves	Accumulated losses	
	\$	\$	\$	\$
<b>Balance at as 1 January 2010</b>	24,265,914	161,986	(1,034,641)	23,393,259
Loss for the period	-	-	(661,008)	(661,008)
Exchange differences on translation of foreign operations	-	69,007	-	69,007
<b>Balance at as 30 June 2010</b>	<b>24,265,914</b>	<b>230,993</b>	<b>(1,695,649)</b>	<b>22,801,258</b>
<b>Balance at as 1 January 2011</b>	24,748,928	211,091	(3,111,903)	21,848,116
Loss for the period	-	-	(162,060)	(162,060)
Exchange differences on translation of foreign operations	-	2,454	-	2,454
<b>Balance at as 30 June 2011</b>	<b>24,748,928</b>	<b>213,545</b>	<b>3,273,963</b>	<b>21,688,510</b>

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



**IFS Construction Services Limited**  
**Condensed statement of cash flows**  
For the half-year ended 30 June 2011

	<b>Consolidated</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	<b>9,181,867</b>	9,722,931
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(8,603,084)</b>	(9,952,967)
Interest received	<b>1,759</b>	4,188
Interest paid	<b>(265,267)</b>	(216,506)
Income tax refund	<b>10,622</b>	5,986
<b>Net cash inflow/(outflow) from operating activities</b>	<b>325,897</b>	<b>(436,368)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<b>(878,348)</b>	(762,730)
Proceeds from sale of property, plant and equipment	<b>282,444</b>	389,790
<b>Net cash outflow from investing activities</b>	<b>(595,904)</b>	<b>(372,940)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<b>1,256,284</b>	455,530
Repayment of borrowings	<b>(1,333,676)</b>	(342,820)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(77,392)</b>	112,710
<b>Net decrease in cash and cash equivalents</b>	<b>(347,399)</b>	<b>(696,598)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>560,820</b>	1,055,416
Effect of exchange rate change on foreign currencies	<b>2,454</b>	69,007
<b>Cash and cash equivalents at end of period</b>	<b>215,875</b>	<b>427,825</b>

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

**IFS Construction Services Limited**  
**Notes to the financial statements**

For the half-year ended 30 June 2011

## **1. Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2011 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of IFS Construction Services Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

### **Going concern**

The financial report has been prepared on a going-concern basis notwithstanding the deficiency in working capital of \$5,664,882 between current assets and current liabilities. The Directors believe this basis to be appropriate because of the following;

- loans have been received from directors on normal commercial terms totalling \$2,551,676, this support is expected to continue;
- the bank continues to support the Company and continue to provide the fully drawn debt facility of \$2,520,824 held with a major Australian bank. There is no reason to believe that this will be withdrawn;
- the group has assets in excess of \$21 million as at 30 June 2011, the majority of which relates to plant & equipment, a portion of which would be sold to release working capital should the need arise.

### **Significant accounting judgements and key estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2010.

### **Adoption of new and revised Accounting Standards**

In the half-year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**IFS Construction Services Limited**  
**Notes to the financial statements**

For the half-year ended 30 June 2011

## 2. Loss for the period

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	Consolidated	
	30 June 2011 \$	30 June 2010 \$
<b>(i) Other income</b>		
Net gain on disposal of property, plant and equipment	46,960	20,789
Interest income	1,759	4,188
Other	325,400	95,109
	<b>374,119</b>	<b>120,086</b>
<b>(ii) Expenses</b>		
Depreciation	795,094	682,880
Professional fees & services: - operational activities	312,180	352,256
	<b>1,107,274</b>	<b>1,035,136</b>

## 3. Segment information

### Business Segments

The consolidated entity markets its products and services to the following geographic regions.

Half year ended 30 June 2011	Australia	South-East Asia	Middle East	Elimination	Unallocated	Consolidated
<b>Segment Trading Operations</b>						
External sales	8,789,322	1,821,499	-	-	-	10,610,822
Intersegment sales	13,725	-	-	(13,725)	-	-
Total segment revenue	8,803,048	1,821,499	-	(13,725)	-	10,610,822
<b>Total segment profit/(loss) before tax</b>	<b>(18,459)</b>	<b>(187,345)</b>	<b>(79,315)</b>	-	-	<b>(285,119)</b>
Half year ended 30 June 2010	Australia	South-East Asia	Middle East	Elimination	Unallocated	Consolidated
<b>Segment Trading Operations</b>						
External sales	7,328,221	1,714,592	1,077,303	-	-	10,120,116
Intersegment sales	83,371	-	-	(83,371)	-	-
Total segment revenue	7,411,592	1,714,592	1,077,303	(83,371)	-	10,120,116
<b>Total segment profit/(loss) before tax</b>	<b>1,199,148</b>	<b>(382,574)</b>	<b>(28,776)</b>	-	<b>(1,666,291)</b>	<b>(878,493)</b>

**IFS Construction Services Limited**  
**Notes to the financial statements**

For the half-year ended 30 June 2011

**4. Property, plant and equipment**

	Consolidated	
	30 June 2011	31 Dec 2010
	\$	\$
Plant and equipment - at cost	28,586,118	27,926,924
Less: Accumulated depreciation	(3,034,546)	(2,414,693)
Less: Stock loss allowance	(846,347)	(725,470)
<b>Total:</b>	<b>24,705,225</b>	<b>24,786,761</b>
Motor vehicles - at cost	1,579,210	1,643,458
Less: Accumulated depreciation	(738,490)	(739,389)
<b>Total:</b>	<b>840,720</b>	<b>904,069</b>
Office equipment – at cost	750,474	745,585
Less: Accumulated depreciation	(444,801)	(392,402)
<b>Total:</b>	<b>305,673</b>	<b>353,183</b>
Tool of Trade - at cost	196,187	170,579
Less: Accumulated depreciation	(129,968)	(123,541)
<b>Total:</b>	<b>66,219</b>	<b>47,038</b>
Leasehold improvements - at cost	318,643	320,609
Less: Accumulated amortisation	(148,569)	(118,386)
<b>Total:</b>	<b>170,074</b>	<b>202,223</b>
<b>Work in progress, plant and equipment - at cost</b>	<b>341,033</b>	<b>88,900</b>
<b>Total Property, plant and equipment</b>	<b>31,771,665</b>	<b>30,896,055</b>
<b>Less: Accumulated depreciation</b>	<b>(4,496,374)</b>	<b>(3,788,411)</b>
<b>Less: Stock loss allowance</b>	<b>(846,347)</b>	<b>(725,470)</b>
<b>Total:</b>	<b>26,428,944</b>	<b>26,382,174</b>

**Reconciliations**

The opening carrying value of property, plant and equipment reconciles to the closing carrying value as follows:

**30 June 2011**

	Plant & Equipment	Motor Vehicles	Office Equipment	Tool of Trade Equipment	Leasehold Improvements	WIP	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED GROUP</b>							
Opening value	24,786,761	904,069	353,183	47,038	202,223	88,900	26,382,174
Additions	859,155	-	15,170	25,711	600	298,917	1,199,553
Transfer	46,784	-	-	-	-	(46,784)	-
Disposals	(229,294)	-	(5,639)	-	(1,007)	-	(235,940)
Depreciation charged for the half-year	(637,225)	(63,027)	(57,095)	(6,453)	(31,294)	-	(795,094)
Stock loss allowance	(122,205)	-	-	-	-	-	(122,205)
Foreign currency adjustments	1,249	(322)	54	(77)	(448)	-	456
Closing value	<b>24,705,225</b>	<b>840,720</b>	<b>305,673</b>	<b>66,219</b>	<b>170,074</b>	<b>341,033</b>	<b>26,428,944</b>

**31 Dec 2010**

	Plant & Equipment	Motor Vehicles	Office Equipment	Tool of Trade Equipment	Leasehold Improvements	WIP	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED GROUP</b>							
Opening value	24,002,324	648,748	386,544	37,876	252,850	2,033	25,330,375
Additions	2,750,410	398,898	79,625	23,337	16,637	89,321	3,358,228
Transfer	-	-	-	-	-	-	-
Disposals	(690,941)	(29,955)	-	-	(591)	(2,454)	(723,941)
Depreciation charged	(1,158,258)	(112,274)	(112,931)	(13,887)	(63,944)	-	(1,461,294)
Stock loss allowance	(113,573)	-	-	-	-	-	(113,573)
Foreign currency adjustments	(3,201)	(1,348)	(55)	(288)	(2,729)	-	(7,621)
Closing value	<b>24,786,761</b>	<b>904,069</b>	<b>353,183</b>	<b>47,038</b>	<b>202,223</b>	<b>88,900</b>	<b>26,382,174</b>

**5. Events subsequent to reporting date**

There have been no events subsequent to balance date that are likely to have a significant impact on future reporting periods.

**6. Dividends**

No dividends are provided for or paid during the half-year.

**7. Related party transactions**

Significant changes to related party transactions since the last annual reporting date are as follows:

Loan funds advanced by directors and/or related persons	\$ <u>465,924</u>
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## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that IFS Construction Services Limited 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.



Mr. Stuart Usher  
Director

Perth WA  
31 August 2011

**IFS Construction Services Limited**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of IFS Construction Services Limited

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

We have reviewed the accompanying half-year financial report of IFS Construction Services Limited ("the Company") which comprises the condensed consolidated statement of financial position as at 30 June 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

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

The directors of the Company 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 control 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 half-year financial report based on our review. We conducted our review in accordance with 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 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 IFS Construction Services 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*.

**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 IFS Construction Services 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 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**W M CLARK**  
**Partner**

**Perth, Western Australia**  
**31 August 2011**





2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Refer to Directors report page 2.

<b>NTA backing</b>		30 June 2011 \$	31 December 2010 \$
<b>3</b>	Net tangible assets per security	0.12	0.13

**4. Control gained over entities having material effect**

4.1	Name of entity (or group of entities)	N/A	
4.2	Date of gain of control	N/A	
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A	
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A	

**Loss of control of entities having material effect**

4.1	Name of entity (or group of entities)	N/A	
4.2	Date of loss of control	N/A	

- 4.3 Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired
- 4.4 Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

N/A
N/A

**5. Individual Dividend / Distribution**

- Date the dividend (distribution) is payable
- Amount per security of foreign source dividend

N/A
N/A

**Total Dividend /Distribution**

- Ordinary securities
- Preference securities

N/A
N/A

**6.** The dividend or distribution plans shown below are in operation.

The last date(s) for receipt of election notices for the dividend or distribution reinvestment plans

N/A

<b>7. Foreign Entities</b>	Which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)	International Accounting Standards
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