



Welcome to the new network economics



Delivering better
network intelligence

ANNUAL REPORT 2005

eServGlobal is listed on the
Australian Stock Exchange



eServGlobal is listed on the
London Stock Exchange (AIM)



CONTENTS

Financial highlights	2	Independent audit report	19
Chairman's overview	3	Directors' declaration	20
Chief Executive Officer's report	4	Statement of financial performance	21
Product overview	6	Statement of financial position	22
Solution highlights	7	Statement of cash flows	23
Directors' report	8	Notes to the financial statements	24
Auditor's independence declaration	15	Additional stock exchange information	51
Corporate governance statement	16	Corporate directory	



eServGlobal develops and supplies next generation intelligent network (IN) software and services which help telecommunications carriers reduce capital and operating costs and bill every call accurately. We are increasingly recognised around the world as a leading contributor to the 'New Network Economics'.

Our systems already handle over 250 million revenue-generating calls and messages every day, across 15 major networks. We are now expanding our focus to include fast growth telephony markets in Asia, Africa, Eastern Europe and Latin America.



EUROPE

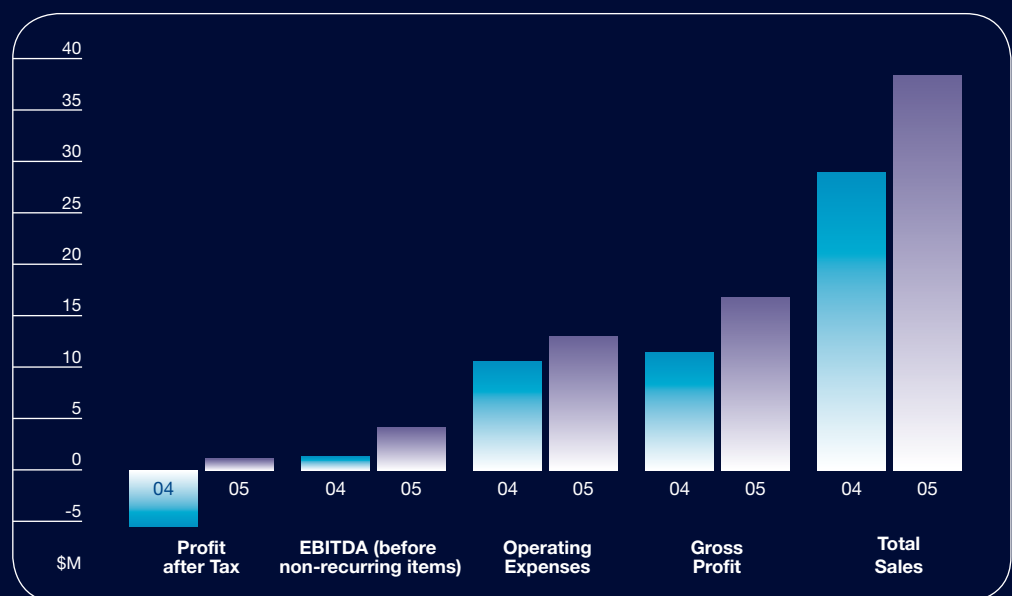


AUSTRALIA AND ASIA

33%
REVENUE GROWTH

Financial Highlights

FULL YEAR RESULTS ANALYSIS



FINANCIAL PERFORMANCE

Results for the year to 30 June 2005

	Full Year to 30 Jun 05	%	Full Year to 30 Jun 04	%
Sales Revenue	\$38,427	100.00%	\$28,951	100.00%
Cost of Sales	21,681		17,508	
Gross Profit	16,746	43.58%	11,443	39.53%
Other Revenue	419		429	
Sales and Marketing Costs	6,604	17.19%	5,072	17.52%
Administration Costs (incl forex)	6,430	16.73%	5,449	18.82%
EBITDA (before non-recurring)	4,131	10.75%	1,351	4.67%
Non-recurring charges	587		1,738	
R&D writeoff	0		863	
EBITDA	3,544		(1,250)	
Depreciation and Amortisation	2,412		2,426	
EBIT	1,132		(3,676)	
Interest Expense	2		9	
Profit before Tax	1,130		(3,685)	
Tax Expense	18		1,805	
Profit after Tax	1,112		(5,490)	



CHAIRMAN'S OVERVIEW

The 2005 fiscal year has produced yet another remarkable performance from eServGlobal, as we continue to demonstrate our ability and our potential as the world's most exciting IN software company.

Producing 33% year-on-year revenue growth would be cause for celebration on its own, but the revelation is that we achieved this whilst positioning ourselves for sustained growth from a flexible cost-base, whilst continuing to invest in the most modern and capable software platform in the industry and whilst establishing new marketing channels with the world's major messaging and billing suppliers.

We achieved every aspect of our ambitious financial plan in FY05, producing \$38.4 million in revenue and \$4.1 million in EBITDA. The growth was produced not only from our established installed base of customers, but also by the addition of major new customers, bringing a corresponding increase in our long-term contracted maintenance revenue. We thus enter FY06 with a record backlog of contracted revenue, matched with a record pipeline of prospective new sales.

Our listing on the London Stock Exchange AIM market occurred in October 2004 and we have since recorded a 200% increase in our shareprice, with over 22% of our shares trading in London. During the course of 2005 we have welcomed a number of prestigious investment institutions to our register, including Merrill Lynch and Canada Life. We believe that there is much opportunity for further value growth and we will continue building our engagement with the UK investment community in the coming years.

The other highlight of FY05 was the completion of our OEM agreement with Converse. This partnership, with the world's largest messaging software company, offers significant growth potential for eServGlobal and, moreover, it is just the first delivery in our long-term strategy to position ourselves as the IN platform supplier to the industry.

The international telecommunications industry is evolving at a rapid rate. The promise of new technology and the availability of large scale telecommunications at lower cost are bringing benefits to established markets and developing countries alike. eServGlobal is in the vanguard of this movement, reducing the cost to serve has been our credo for many years and is now helping to position us at the forefront of the fastest growing markets in the world.

For all of these reasons, eServGlobal is confident of delivering growth in the years ahead. We will continue to build on our technology advantage, continue to develop key partnerships with leading vendors and continue to drive shareholder value in the international investment market.

To demonstrate this commitment to shareholder value, we have declared a fully-franked dividend of 1 cent per share, to be paid on 26 September 2005 for shares held at 12 September 2005. As the company's profits grow in coming years, we hope to be able to continue to return capital to our shareholders.

As always, we owe most of our success to the dedicated, enthusiastic and untiring professionals who develop, deploy and support our solutions around the world. eServGlobal's people are amongst the finest in the industry and are a key factor in our confidence in the future and in our confidence in delivering value and growth to our shareholders.

Ian Buddery
Executive Chairman



CHIEF EXECUTIVE OFFICER'S REPORT

The growth we have achieved in 2005 is a credit to all of the people at eServGlobal. They have transformed our business. I am proud to have the privilege to work with such an outstanding team of experts.

Dear Shareholders,

It is with pleasure that I welcome you to our annual report for the year ended June 30, 2005.

This year in review has delivered the results that we promised at our 2004 AGM, where I talked about establishing our platforms for profitability. These platforms, now in place across the business, have delivered profitable results and also firmly established the basis for continued, profitable growth.

Our Results

We achieved revenue of \$38.427 million for the year. The revenue for the second half was \$20.981 million, compared with \$17.446 million for the first half. 64% of customer revenue was generated in Europe and 36% in Asia-Pacific, compared with 72% in Europe and 28% in Asia Pacific last year. In the second half 42% of customer revenue was generated in Asia Pacific reflecting major new contract wins in the high growth Asia Pacific markets.

We delivered \$16,746 million of gross profit for the year, compared to \$11,443 million for the previous year. This was a significant achievement at 44% of revenue, compared to 40% for 2004, 32% for 2003 and 35% for the 2002 financial years. This achievement is a reflection of the improved operational quality arising from the implementation of our business plan. We have managed the costs associated with our growth, created a more efficient business and increased our scalability.

We delivered an EBITDA of \$4,131 million (before non-recurring charges) for the year to 30 June 2005, this compares positively to the \$1,351 million EBITDA profit reported for the previous year (before non-recurring charges). The growth of EBITDA on revenue from less than 5% to over 10% year on year again reflects the platform for profitability we have achieved. Moreover, the restructuring and re-listing costs, identified as non-recurring charges, that recovered the value of our company, are now complete for this stage of our evolution.

Most importantly, we delivered a profit after tax of \$1,112 million compared to the \$5,490 million loss reported last year.

Our cash resources reduced due to the timing of the delivery of specific customer projects, thus our receivables and unbilled receivables grew from \$6,672 million at the start of the year to \$13,427 million at June 30, 2005. We started the year with \$14.658 million in cash and completed the year with \$11.742 million. To a large extent, this is a predictable by-product of our high growth and an appropriate use of our cash reserves; however our ongoing focus on cash collection will not diminish.

In looking back at the accomplishments of our company over the last few years it is evident that our focus on profitability, the execution of our business plan and the strategy that underpins it, is working.

We kept investing at a time when others slowed or stopped investing. At the same time, we grew revenue and improved the efficiency of our operations. This combination has enabled us to deliver

these results and positioned us well for the next stage of growth. Our product based investment strategy has not only delivered profitable returns for our company but for our customers as well. We continue to provide more function at a lower total cost of ownership than our competition – we call this the *New Network Economics*.

Market Background

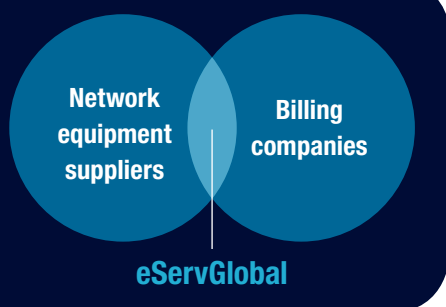
Why does the world need *New Network Economics*? Because in the developed world, penetration rates (teledensity) are high. Most people have access to a telephony service. The key to earnings growth for operators in these markets is cost reduction coupled with new enhanced services to maintain current revenue levels.

In the developing world, we have half the people in the world who have never used a telephone. They never will – unless we build the systems that change the economics of delivering telephony services to these markets.

Many of the larger players in our industry are not in a position to do this given their current cost structures, market position and focus. Even if they were in a position to do it, it would be an unlikely choice, because they are not focused exclusively on the development of cost efficient service delivery platforms, as we are.

We have further leveraged this position by engaging with the world's largest infrastructure and billing vendors, enabling their provision of unique solutions such as convergent real-time billing for GSM and CDMA networks.

Market



eServGlobal has a unique position, as the only independent IN services software supplier positioned between network infrastructure providers and billing providers. This is underlined by the major deployments with both types of partner worldwide.

By moving the company to this partner-driven model, we have the privilege to work with leaders in the industry. This part of our plan has enabled us to increase our coverage of the market while minimising our fixed cost growth.

Our Plan

In the 2006 financial year the company will continue to utilise the proven strategies that have delivered the results over the last year. We will complement this by further exploiting our partner-driven model, to grow and consolidate our role as a supplier to the industry.

We will continue to invest.

Our investment strategy is focused on three major trends in telecommunications industry:

- The need for real time billing;
- The need for advanced messaging;
- The need for next generation network technology.

Our investment in real-time convergent billing solutions helps our customers reduce bad debt exposure and provide more flexible billing arrangements to their subscribers.

Our investment in messaging helps our customers reduce their costs and increase the functionality they deliver, by combining and transcending all popular message technologies (e.g. email, IM, SMS, MMS) with a single scalable software platform.

Our investment in next generation, packet switched, network solutions helps our customers to increase the return from their investments in next generation network infrastructures such as IMS.

Helping our customers' increase their revenues while reducing their costs has delivered profitable results this year and will continue to do so into the future.

Efficiency is a key to our success. We will continue to drive efficiencies across our product lines.

We will continue to develop our partnerships.

Our unique market position, underpinned by our investments in state of the art solutions, enables us to provide these solutions to larger players in the industry. Our long standing relationships with customers and suppliers alike mean that partnering is a core part of the culture of our business. We know how to do it and we do it well.

We will continue to deliver.

Our company has significant delivery obligations for all of our stakeholders – customers, shareholders, partners and employees. In all of these relationships

eServGlobal is focused on delivering value. We thrive on mutually beneficial business relationships.

Looking back as my first full year as the CEO of eServGlobal I can say that the transformation and change programmes that we have undertaken, have been successful.

The growth we have achieved in 2005 is a credit to all of the people at eServGlobal. They have transformed our business. I am proud to have the privilege to work with such an outstanding team of experts.

We continue to embrace the values of teamwork, achievement, communications and trust which have helped us reach this point.

I would like to thank you, all of our shareholders, for your continued support. As I look forward to the new financial year and beyond, I believe that we are all part of an exciting future in the telecommunications industry.

I am committed to continuing to deliver the highest levels of shareholder value to you and I look forward to working with you all in the future.

Sincerely,

Patrick McGrory, CEO

“eServGlobal is considered the benchmark for support whenever we evaluate new technology.”

EXCELCOM, INDONESIA

“The smooth service migration, reliability and significantly lowered Opex and Capex resulting from that project convinced KPN of the attractiveness and viability of undergoing a complete IN replacement project.”

KPN, NETHERLANDS

“The ability of eServGlobal’s IN service platform to rapidly adapt to new capabilities available in our switching systems is key to rapid delivery of new revenue generating services.”

ORANGE, DENMARK

“In working with eServGlobal, we have had a faultless and speedy deployment of this new equipment in our network. In less than three months, this complex technology investment has been fully bedded down in our network and is generating revenue for PowerTel.”

POWERTEL, AUSTRALIA

PRODUCT OVERVIEW

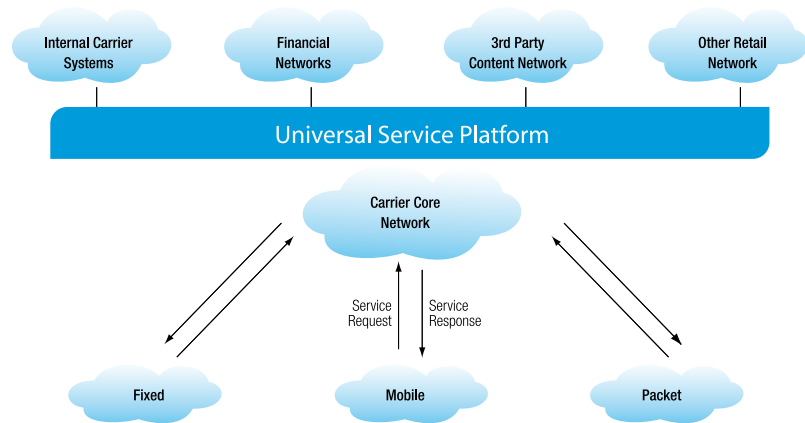
eServGlobal is a visionary provider of service control and rating software for telecoms operators.

eServGlobal is focused on delivering enhanced economic results for our customers.

We achieve this by using network technology more effectively and applying it to business applications.

We deliver solutions which integrate across network and business boundaries. This means our customers get more value from our solutions.

This is Better Network Economics.



Our application products are designed for use in all types of networks: fixed, mobile, circuit or packet (Internet Protocol).

This enables us to deliver greater returns on our R&D expenditure because we can address more requirements per R&D dollar spent. It also means we can solve more problems for our customers at lower cost. Because one solution costs less than two.

Our applications provide a wide range of network based service functionality, enabling both subscriber retention and acquisition as well as increasing the revenue our customers generate.

As part of our Universal Services Architecture, our applications integrate into multi vendor switching networks and allow operators to rapidly deploy a wide range of services.

SOLUTION HIGHLIGHTS

Better Business Control

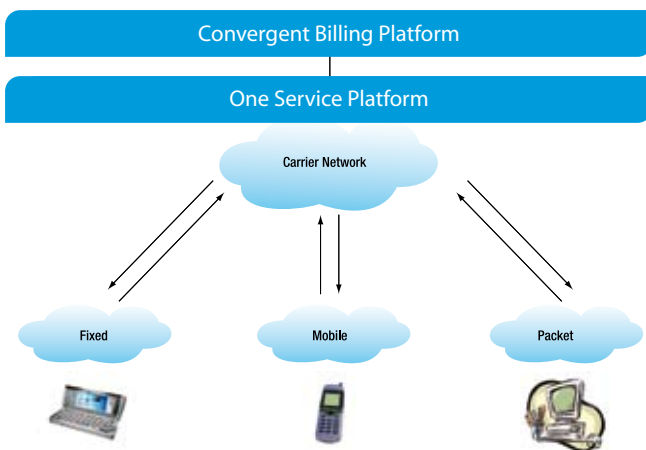
Converging prepaid and postpaid billing with real-time control provides telephone companies with more flexibility to differentiate themselves in their markets, whilst enabling them to run their business in real-time.

eServGlobal delivered the first convergent real-time billing solution in the world. We have subsequently partnered with most major billing vendors to provide solutions to our customers. eServGlobal is unique in this capability.

These solutions support millions of subscribers in production today and have been chosen by both competitive and incumbent mobile providers. Because eServGlobal works with all major billing vendors worldwide, our customers have the ability to choose the billing system that best meets their needs.

In addition to this, eServGlobal's rating capability complements existing offerings from the billing suppliers.

eServGlobal solutions support charging for voice, data and messaging services.



eServGlobal connects telephone networks to billing systems in real-time across different types of telephone networks. The world's leading billing providers choose eServGlobal to deliver these solutions, because we pioneered the technology, because we have delivered it to production networks at massive scale and because we achieve 100% success.

eServGlobal's solutions deliver to carriers the flexibility to choose their billing architecture according to market and subscriber needs. This is how we build shareholder value.

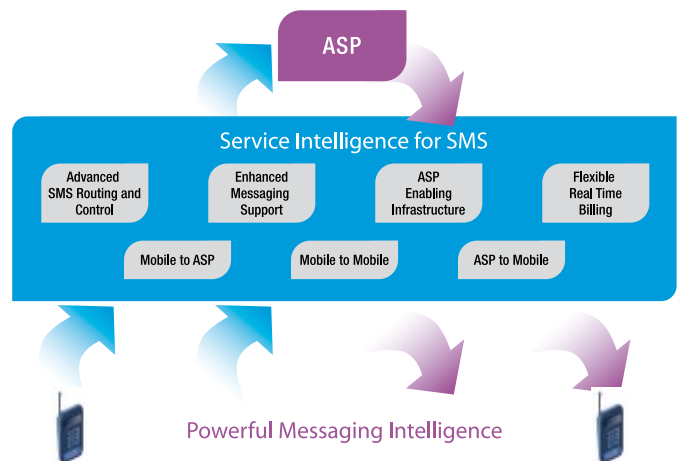
This is Better Network Economics.

Better Messaging Intelligence

Applying service intelligence to SMS provides mobile telephone companies with a way to deliver short messages at lower cost and higher capacity.

eServGlobal's MessageMax is a complete suite of short messaging services, specifically designed to deliver more functionality and more control at lower cost.

It provides a platform for handling SMS and other messaging with ultimate precision and control and delivers real value to the operator with its unique proposition based on low cost open infrastructure.



Next Generation Networks

eServGlobal looks at telephone networks from the following point of view – how much does it cost to deliver a new service to a subscriber?

Our approach to Next Generation Networks is based on providing solutions that deliver improved ROI to our customers, by getting more subscribers on to the lower cost NGN faster. This is a unique approach which has already helped our customers in production networks today. These solutions are based on a proven approach to improve network economics.

The Service Control Agent, an intelligent SIP proxy, enables operators to use existing advanced services in SIP networks. This protects their current and previous investments while providing for the services of tomorrow.

DIRECTORS' REPORT

The directors of eServGlobal Limited submit herewith the annual financial report for the financial year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Ian Buddery

Aged 47. Executive Chairman.

Ian Buddery was a founder of eServGlobal, and past director and CEO. He holds a significant interest in the company through a private company. During his 26 years in the technology industry, Ian has held senior management positions with major multinational vendor organisations and local firms. He has extensive international business experience, particularly in Europe and Australasia.

Ian rejoined the company as Executive Chairman in September 2003.

Patrick McGrory

Aged 41. Chief Executive Officer and Director.

Patrick McGrory joined eServGlobal in April 2000 as Vice-President, Americas, following the merger with Integrator Pty Ltd, where Patrick was co-founder and CEO. Patrick's extensive telecommunications industry experience includes both technical and senior management positions with corporations in the USA and Australia, including six years at Singtel/Optus.

Patrick joined the Board in September 2003.

Roger Allen

Aged 59. Non-executive director and member of Remuneration and Nominations Committee.

Roger was a co-founder of Allen and Buckeridge, a leading Australian venture capital firm specialising in information technology and telecommunications.

Roger is a director of a number of Allen and Buckeridge investee companies and other ICT companies and has been a director since December 1998.

François Barrault

Aged 45. Non-executive director.

François is President of BT International. He has played significant roles within Lucent Technologies such as President Mobility International and President and CEO EMEA. Prior to Lucent, François worked at Ascend Communications, where he had the position of Senior Vice-President, International. He has over 19 years' experience in this industry, including executive positions within IBM, Computervision/Prime and Stratus. François was also co-founder and Chairman of the Board of Astria, an

e-commerce software supplier. He has an extensive knowledge of the International and European sector.

François holds a Master of Science (D.E.A) in Robotics/AI and an E.D.P in Engineering from the Ecole Centrale de Nantes. François is based in Brussels, Belgium.

François has been a member of the Board since March 2003.

Graham Libbesson

Aged 53. Non-executive director, member of the Audit Committee and member of the Remuneration and Nominations Committee.

Graham has extensive involvement in the IT industry through various directorships and hands-on consulting roles. He is also a consultant to Pitcher Partners Chartered Accountants and leader of that firm's ICT industry Group. He is a retired managing partner and a senior tax partner of a large firm of chartered accountants. His twenty eight years of experience as a chartered accountant and tax advisor, together with his strong background in corporate law and governance and operational experience in the IT industry bring expertise in all areas of the company's activities and commercial transactions.

Graham holds a Bachelor of Laws and a Bachelor of Commerce from the University of New South Wales and is a qualified Chartered Accountant (ACA). He is a member of the Institute of Chartered Accountants in Australia.

Graham joined the Board in September 2003.

Jim Pratt

Aged 56. Non-executive director and Chairman of the Remuneration and Nominations Committee.

Jim brings to the Board over 30 years of experience in the telecommunications industry in Europe, Australia and Asia. In 1994, Jim was appointed as the founding Chief Executive Officer of Peoples Telephone Company Ltd., a GSM 1800 network operator in Hong Kong.

On his return to Australia, Jim was appointed Managing Director of Telstra International's offshore wireless business interests and held this position until August 2001. From September 2002 he has headed up, as President and CEO, the GlobeTrac Group of companies who are involved in AVL & Telematics in Europe.

Jim is also the previous Chairman (2002/2003) of the Board of Directors of the GSM Association (GSMA). The GSM Association (GSMA) is the world's leading wireless industry body representing some 600 GSM network operators.

Jim is a member of the Australian Institute of Company Directors.

Jim has been a member of the Board since April 2003.

David Smart

Aged 62. Non-executive director and Chairman of the Audit Committee.

David has held senior executive positions in large scale manufacturing and merchandising businesses for more than 20 years. This includes 13 years as Chief Financial Officer of Tubemakers of Australia Limited and Metal Manufactures Limited.

David holds a Bachelor of Commerce and MBA from the University of New South Wales and is a Fellow of the Australian Society of Certified Practising Accountants.

David has been a director since July 2000.

The above named directors held office during and since the end of the financial year except for:

Roger Allen – resigned 8th September 2004.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Jim Pratt	GlobeTrac Inc	September 2002 to present

COMPANY SECRETARY:

John M Hartigan

B Com, FCIS, FCPA, FAICD, ANZIIF (Senior Associate)

John has had more than twenty years experience as a listed public company secretary and, in some periods concurrently, more than ten years experience as a listed public company Chief Financial Officer, and as a public company director.

PRINCIPAL ACTIVITIES

The consolidated entity's principal activities in the course of the financial year were the provision of advanced software and services for telecommunications companies. The consolidated entity operates in Australia, New Zealand, Hong Kong, Belgium, The Netherlands, Poland, Indonesia, India and United Kingdom.

REVIEW OF OPERATIONS

This report is to be read in conjunction with other reports issued contemporaneously.

The consolidated entity achieved sales revenue for the year of \$38.427 million (2004: \$28.951 million) – an increase of 32.7%.

A gross profit of \$16.746 million was achieved by the consolidated entity for the year, representing a margin of 43.6% of sales revenue, and the net result for the consolidated entity for the year was a profit after tax of \$1.112 million (2004: loss \$5.490 million).

The return to profitability for the year is particularly pleasing as it reflects higher quality revenue and predictable project deliveries to the consolidated entity's customers around the world, and it was achieved in a background where there is continued focus on product

development within the business, with the costs involved being fully carried in the operating result, along with \$0.587 million costs incurred in the successful listing of the company on the London Stock Exchange (AIM) market. The consolidated entity has also positioned itself to be able to quickly grow the scale of its business as new opportunities arise through channels and other partners.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to above or in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

DIVIDENDS

In respect of the financial year ended 30 June 2005, no dividend has been paid. Since the end of the financial year the directors have declared the payment of a final dividend of 1.0 cent per share payable on 26 September 2005, fully franked to entitled shareholders. The record date is 12 September. (2004: nil).

SHARE OPTIONS

Share options granted to directors and executives

During the financial year and up to the date of this report no share options were granted to the directors and executives of the entity.

EXECUTIVE AND EMPLOYEE SHARE OPTIONS

At the date of this report, option holders are entitled to purchase an aggregate of 172,576 ordinary shares of the entity as a result of options issued prior to the introduction of the eServGlobal Employee Share Option Plan. The exercise price of the options ranges from \$0.20 to \$1 and the options may be exercised at various times up until 8 September 2007.

During the financial year and up to the date of this report, the following options were exercised and shares in the entity issued to holders of options issued prior to the introduction of the eServGlobal Employee Share Option Plan:

- 3,038,854 shares were issued following exercise of options on payment of \$0.1973638 for each share.

DIRECTORS' REPORT

continued

ESERVGLOBAL EMPLOYEE SHARE OPTION PLAN

The company has ownership-based remuneration schemes for directors, executives and employees. In accordance with the provisions of the scheme, directors and employees may be granted options to acquire ordinary shares in the company. The board believes that the options scheme has a significant role to play in motivating employees to help ensure the continued performance of the company. The exercise of any share options is not dependant on any performance criteria, however, is dependent on a period of service relative to the vesting dates.

The company did not issue further options during the financial year.

At the date of this report directors, executives and employees are entitled to purchase an aggregate of 4,405,997 ordinary shares of the entity at issue prices ranging from \$0.15 per ordinary share to \$0.40 per share. At 30 June 2005 1,246,000 of these options had vested.

The options may be exercised at various times up until 30 June 2009. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other body corporate or scheme, and do not participate in any dividends declared.

During the financial year and up to the date of this report, the following options were exercised and shares in the entity issued to holders of options issued under the eServGlobal Employee Share Option Plan:

- 1,436,914 shares were issued following exercise of options on receipt of \$0.18 for each share.
- 122,333 shares were issued following exercise of options on receipt of \$0.23 for each share.

Further details of the executive and employee share option plan are disclosed in Note 6 to the financial statements.

Details of unissued shares under option as at the date of this report are:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
eServGlobal Limited	85,122	Ordinary	\$0.20	24 December 2005
eServGlobal Limited	37,454	Ordinary	\$0.20	1 January 2007
eServGlobal Limited	50,000	Ordinary	\$1.00	8 September 2007
eServGlobal Limited	1,528,330	Ordinary	\$0.18	4 September 2007
eServGlobal Limited	250,000	Ordinary	\$0.20	12 November 2008
eServGlobal Limited	250,000	Ordinary	\$0.40	12 November 2008
eServGlobal Limited	500,000	Ordinary	\$0.15	20 December 2008
eServGlobal Limited	500,000	Ordinary	\$0.40	20 December 2008
eServGlobal Limited	1,357,667	Ordinary	\$0.23	30 June 2009

Details of shares issued during and since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
eServGlobal Limited	3,038,854	Ordinary	\$0.1973638	\$nil
eServGlobal Limited	1,436,914	Ordinary	\$0.18	\$nil
eServGlobal Limited	122,333	Ordinary	\$0.23	\$nil

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all executive officers of the company and of any related body corporate against any liability incurred as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability cover and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate, against any liability incurred by such an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 15 board meetings, 5 audit committee meetings, and 2 remuneration committee meetings were held.

DIRECTORS' MEETINGS

Directors	Board Of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
I Buddery	15	15	–	–	–	–
P McGrory	15	15	–	–	–	–
R Allen	2	2	–	–	–	–
F Barrault	15	9	–	–	–	–
G Libbesson	15	15	5	5	2	2
J Pratt	15	15	–	–	2	2
D Smart	15	14	5	5	–	–

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the company or a related body corporate as at the date of this report.

DIRECTORS

	Fully paid ordinary shares	Executive share options
I Buddery ¹	16,055,982	–
P McGrory ²	4,032,707	–
F Barrault	–	500,000
G Libbesson	–	–
J Pratt	–	500,000
D Smart	–	50,000

¹ Relevant interest held in shares registered in the name of Wallaby Hill Pty Ltd in which Ian Buddery holds an interest.

² Includes 947,281 shares registered in the name of Integrator Administration Pty Limited in which P McGrory holds an interest.

REMUNERATION REPORT

Determining remuneration policy for directors and executives, and its relationship to eServGlobal's performance

The consolidated entity is listed on both the Australian Stock Exchange and the London Stock Exchange (AIM). It is an international group which is faced with all of the market pressures that flow in such circumstances. It must compete successfully with other international organisations that are substantially larger and which have the ability to draw on enormous resources. Our employees are based in diverse parts of the globe and regularly must travel to work in remote locations. The remuneration policies must be appropriate to these circumstances.

In determining the appropriate remuneration policies for the consolidated entity, the board believes that the salary packages must be sufficient, in the international marketplace in which the consolidated entity operates, to attract, retain and motivate high calibre, hard working, dedicated employees, who have the knowledge and skills appropriate for the business. In this regard, a component of the salary package for employees is paid after

the results of a financial year are completed, and the entitlement is based primarily on the results achieved by the consolidated entity. The board's broad policy is implemented through its Remuneration and Nominations Committee.

As outlined in the Corporate Governance Statement, the Remuneration and Nominations Committee reviews on an annual basis the remuneration policies applicable to all directors and senior executives, and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current international market rates and are benchmarked against comparable industry salaries relevant for the employees involved and dependent on the entity's circumstances.

Elements of remuneration which are dependent on company performance

The board believes that it is critical that the specified employees are driven by the financial performance of eServGlobal and, as detailed below, has structured the CEO's and CFO's packages so that a substantial portion of the variable component of their packages is directly linked to financial outcomes of eServGlobal.

Director and executive details

The directors of the company and the group during the financial year were:

- I Buddery (Executive Chairman)
- P McGrory (Chief Executive Officer)
- R Allen (Non-executive); resigned 8th September 2004.
- F Barrault (Non-executive)
- G Libbesson (Non-executive)
- J Pratt (Non-executive)
- D Smart (Non-executive)

In addition to the Executive Chairman and the Chief Executive Officer, the five executives receiving the highest emoluments were:

- J M Hartigan (Chief Financial Officer and Secretary)
- F Dedobbeleer (Vice-President Sales)
- C Lynch (Vice-President Marketing)
- S Sharma (Vice-President Professional Services)
- P Curran (Vice-President Support)

DIRECTORS' REPORT

continued

Elements of director and executive remuneration

Non executive directors are paid directors' fees and, in the case of those who are Australian based, compulsory superannuation fund contributions are made on their behalf. The board reviews the level of fees from time to time, and sets individual non executive directors fees based on the levels of fees for comparable listed companies in the appropriate parts of the world.

Certain non executive directors, with the approval of shareholders, in an earlier period were issued options under the Executive Share Option Plan. The benefit of those options is dependent to a period of service relative to the vesting dates.

The Executive Chairman is remunerated on a fee basis and compulsory superannuation. He is fully committed to eServGlobal and is involved in the business on a full time basis. The Executive Chairman does not have a formal contract, however, his fees are considered by the Remuneration and Nominations Committee on an annual basis, and adjustments recommended to the Board.

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are remunerated on a salary package basis that includes a substantial portion that is a variable component which is dependent on performance.

The Chief Executive Officer has a formal contract which links to the eServGlobal standard conditions of employment, but has a 12 month termination provision. The contract has no set expiry date. His salary is reviewed annually.

The Chief Financial Officer has a formal contract which links to the eServGlobal standard conditions of employment, but has a 3 month termination provision. The contract has no set expiry date. His salary is reviewed annually.

The CEO's variable component comprises elements related to achievement of financial plan, share price growth and specific business objectives.

The CFO's variable component comprises elements related to achievement of financial plan, share price growth and specific business objectives.

The Vice President Sales' variable component comprises elements related to achievement of financial plan, share price growth and specific business objectives.

The Vice President Marketing's variable component comprises elements related to achievement of financial plan, share price growth and specific business objectives.

The Vice President Services' variable component comprises elements related to achievement of financial plan, share price growth and specific business objectives.

The Vice-President Support's variable component comprises elements related to achievement of financial plan, share price growth and specific business objectives.

The following table discloses the remuneration of the directors of the company:

2005	Primary			Post Employment	Equity	Total \$
	Salary & fees \$	Bonus (incl. variable pay component) \$	Non-monetary \$	Superannuation \$	Options \$	
I Buddery	238,999	–	–	11,342	–	250,341
P McGrory	331,250	91,875	–	11,342	–	434,467
R Allen	6,658	–	–	–	–	6,658
F Barrault	50,182	–	–	–	22,967	73,149
G Libbesson	42,500	–	–	3,825	–	46,325
J Pratt	41,250	–	–	1,013	22,967	65,230
D Smart	42,500	–	–	3,825	–	46,325

The following table discloses the remuneration of the 5 highest remunerated executives, other than the Executive Chairman and Chief Executive Officer who are included above, of the company and the consolidated entity:

2005	Primary			Post Employment	Equity	Total
	Salary & fees	Bonus (incl. variable pay component)	Non-monetary	Superannuation	Options	
	\$	\$	\$	\$	\$	\$
J M Hartigan	207,500	83,000	–	11,342	23,057	324,899
F Dedobbeleer	334,967	176,202	28,018	–	6,716	545,903
C Lynch	160,845	107,951	–	11,239	8,676	288,711
S Sharma	206,403	51,894	–	11,342	–	269,639
P Curran	161,708	45,072	–	11,342	31,905	250,027

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year.

2005	Options granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed ⁽ⁱⁱ⁾	Value of options included in remuneration for the year ⁽ⁱⁱⁱ⁾	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	\$	\$	\$	\$	\$	\$
F Barrault	–	–	–	–	22,967	31.4
J Pratt	–	–	–	–	22,967	35.2
J M Hartigan	–	–	–	–	23,057	7.1
F Dedobbeleer	–	130,000 ⁽ⁱ⁾	–	130,000	6,716	1.2
C Lynch	–	–	–	–	8,676	3.0

(i) Options exercised during the year were granted on the 4th September 2002.

(ii) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year.
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(iii) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" as amended by AASB 1046A. This requires the following:

- The value of the options is determined at grant date, and are included in remuneration on a proportionate basis from grant date to vesting date.
- Options granted to David Smart are fully vested and expire on the 8th September 2007. Options issued to the remaining Directors and the Chief Financial Officer vest after three years from the anniversary of the issue date and expire after five years. Options issued to Executives vest as to one third on each of the first, second and third anniversary dates from the date of issue and expire after five years. Therefore, in accordance with Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities", as amended by AASB 1046A, only a portion of the total fair value of the options at grant date is included in remuneration for the financial year.

DIRECTORS' REPORT

continued

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The audit committee, in conjunction with the Chief Financial Officer, assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporations Act 2001 in relation to the audit are met. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 7 to the financial statements.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 15 of the financial report.

ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Board



Ian Buddery
Director



Patrick McGrory
Director

Sydney, 29 August, 2005

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
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www.deloitte.com.au

The Board of Directors
eServ Global Limited
Level 2
10 Spring Street
SYDNEY NSW 2000

29 August 2005

Dear Board Members

eServGlobal Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of eServ Global Limited.

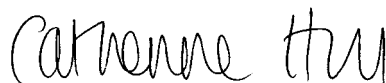
As lead audit partner for the audit of the financial statements of eServ Global Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Catherine Hill
Partner
Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

CORPORATE GOVERNANCE STATEMENT

The Australian Stock Exchange Limited (ASX) listing rules require a listed company to provide in its annual report a statement of the main corporate governance practices that it had in place during the reporting period. The ASX listing rules also require a listed company to report any instances where it has failed to follow the recommendations issued by the ASX Corporate Governance Council (“The Principles of Good Corporate Governance and Best Practice Recommendations”) and the reasons for not following them.

The best practice recommendations of the ASX Corporate Governance Council are differentiated between ten core principles that the council believes underlie good corporate governance. The board’s statements to each core area are noted below:

LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

The ASX Corporate Governance Council recommends that the board recognise and publish the respective roles and responsibilities of the Board and management. The framework of responsibilities should be designed to:

- enable the Board to provide strategic guidance for the company and effective oversight of management;
- clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability; and
- ensure a balance of authority so that no single individual has unfettered powers.

The primary responsibilities of eServGlobal’s board include:

- the establishment of long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of the annual business plan and budgets for the financial performance of the company and monitoring the results on a monthly basis;
- the appointment and removal of the chief executive officer;
- ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- the approval of the annual and half-yearly accounts and reports.

The board meets regularly and usually on a monthly basis to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled monthly board meetings, each board member is provided with a formal board package containing appropriate management and financial reports.

The responsibilities of the management including the chief executive officer are contained in letters of appointment and job descriptions given to each executive on appointment and updated from time to time, usually annually.

STRUCTURE THE BOARD TO ADD VALUE

The ASX Corporate Governance Council recommends that the board be structured in a such a way that it:

- is of an effective composition, size and commitment to adequately discharge its responsibilities;
- has a proper understanding of, and competence to deal with, the current and emerging issues of the business; and
- can effectively review and challenge the performance of management and exercise independent judgement.

To achieve best practice the Council recommends that:

- a majority of the board be “independent” directors;
- the chairperson be an “independent” director;
- the role of chairperson and chief executive officer should not be exercised by the same individual; and
- The board should establish a nomination committee.

At the date of this report the eServGlobal board consists of four non-executive directors, and two executive directors, one being the Executive Chairman and one being the Chief Executive Officer. Four directors (a majority) are clearly independent directors.

The Executive Chairman holds a substantial shareholding interest (as defined under the Corporations Act) in the company, and was a former CEO of the company. It is the view of the board, that it is in the company’s interests that the chairperson not be an independent director.

The board has two board committees – a Remuneration and Nominations Committee and an Audit Committee, both of which are chaired by independent directors and carry out the normal functions of those committees.

PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The ASX Corporate Governance Council recommends that the company should:

- clarify the standards of ethical behaviour of directors and executives by establishing a code of conduct and encourage the observance of those standards; and
- publish its position concerning the issue of board and employee trading in company shares.

eServGlobal has published in its policies a formal code of conduct that applies to all employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the company’s ethical standards.

Following the listing of the company’s securities on the London Stock exchange (AIM) market, on 22 December 2004 the board updated the company’s policies concerning trading in the company’s securities, and adopted a Securities Dealing Policy which can be summarised as follows:

A director, employee or an associate of any of them shall not:

- engage in short term trading of the company’s securities;
- deal in the company’s securities when he or she is in possession of insider information, or unpublished price sensitive information;

- without prior approval as specified in the Securities Dealing Policy, deal in the company's securities between the latter of the end of a fiscal period or the date two months prior to the release date, and the date the company issues a general release of information relating to the company's performance; and
- in the case of a director or senior executive, deal in the company's securities without advising the chairman of the board before commencing the transaction, and in the case of other employees, deal in the company's securities without advising the secretary before commencing the transaction. In all cases trading can only occur after prior written approval is granted. Applications to trade and approvals have to follow the processes set out in the Securities Dealing Policy.

With the prior approval of the chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil his duties and responsibilities as a director.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The ASX Corporate Governance Council recommends that the company have a structure to independently verify and safeguard the integrity of the company's financial reporting. It recommends that a company put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the company's financial position, including, for example, review and consideration of the accounts by the audit committee; and a process to ensure the independence and competence of the company's external auditors.

In this regard the eServGlobal board's audit committee consists of two non-executive directors. The members of the audit committee at the date of this report are:

- David Smart (Chairman)
- Graham Libbesson

Both audit committee members are independent directors and qualified experienced accountants. The board believes that the audit committee is of an appropriate size for the company.

The audit committee provides a forum for the effective communication between the board and external auditors.

The audit committee reviews:

- The annual and half-year financial reports and accounts prior to their approval by the board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit functions, including reviewing the respective audit plans.

The audit committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

The audit committee, in conjunction with the Chief Financial Officer, assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporations Act 2001 in relation to the audit are met.

The audit committee requires the Chief Executive Officer and the Chief Financial Officer to report formally on the financial results and these executives are required to confirm that the company's financial reports and accounts present a true and fair view, in all material respects, of the company's financial position and operational results, and are prepared in accordance with the law and the relevant accounting standards.

MAKE TIMELY AND BALANCED DISCLOSURE

The ASX Corporate Governance Council recommends that a company promote timely and balanced disclosure of all material matters concerning the company. It recommends that it put in place mechanisms designed to ensure all investors have equal and timely access to material information concerning the company (including its financial situation, performance, ownership and governance), and that a company's announcements are factual and presented in a clear and balanced way.

The eServGlobal board and senior management are conscious of the ASX Listing Rule disclosure requirements, and take steps to ensure compliance. Also, the company has a policy that requires,

- All announcements be reviewed by the company secretary; and
- All media comment is provided by the chairman, chief executive officer or the chief financial officer.

RESPECT THE RIGHTS OF SHAREHOLDERS

The ASX Corporate Governance Council recommends that a company respects the rights of shareholders, and facilitates the effective exercise of those rights by effectively communicating with them; giving them balanced and understandable information about the company; and making it easy for them to participate in general meetings.

eServGlobal provides information to its shareholders through the formal communications processes (eg ASX releases, annual general meeting, annual report, occasional shareholder letters). This material is normally also available on the eServGlobal website (www.eservglobal.com).

The company requests its external auditor attend the annual general meeting and to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

RECOGNISE AND MANAGE RISK

The ASX Corporate Governance Council recommends that the company establish a sound system of risk oversight and management and internal control. It recommends that the system be designed to identify, assess, monitor and manage risk; and inform investors of material changes to the company's risk profile. It suggests that to achieve "best practice", the board or

CORPORATE GOVERNANCE STATEMENT

continued

an appropriate board committee should establish policies on risk oversight and management, with the CEO and CFO to provide to the board in writing a statement confirming that the financials are founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the board; and that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The eServGlobal board monitors the risks and internal controls of eServGlobal through the Audit Committee. The Audit Committee looks to the CFO to ensure that an adequate system is in place to identify and, where possible, on a cost effective basis, to manage risks inherent in the business, and to have appropriate internal controls. eServGlobal is a relatively small group which operates across numerous international borders and is subject to the laws of many countries. This in itself, and the nature of eServGlobal's business, bring some inherent risk. As part of its normal processes, at least annually eServGlobal's management formally identifies and assesses the risks to the business, and these assessments are noted by the audit committee and the board. This list of risks is not published because it may provide a competitive advantage to eServGlobal's competitors.

ENCOURAGE ENHANCED PERFORMANCE

The ASX Corporate Governance Council recommends that the board fairly review and actively encourage enhanced board and management effectiveness. In this regard it is suggested that the board and key executives should be equipped with the knowledge and information that they need to discharge their duties effectively, and that individual and collective performance is regularly and fairly reviewed. To achieve "best practice" it recommends that a company disclose the process for performance evaluation of the board; its committees; and individual directors and key executives.

The eServGlobal board uses a personal evaluation process to review the performance of directors. Individual directors are asked to write to the chairman on a confidential basis to comment on their own performance, and the performance of the board and its committees. This information is reviewed by the chairman, who then assesses the information received and reports to the Remuneration and Nominations Committee on the responses received from individual directors, and his own personal assessment. The Remuneration and Nominations Committee then determines whether any external advice or training is required, and ultimately provides a general report to the board identifying the outcome of the review.

Key executives are reviewed periodically against the business objectives and their own contractual obligations, including their personal KPIs.

REMUNERATE FAIRLY AND RESPONSIBLY

The ASX Corporate Governance Council recommends that the company ensures that the level and composition of remuneration

is sufficient and reasonable and that its relationship to corporate and individual performance is defined. In this regard it recommends that companies adopt remuneration policies that attract and maintain talented and motivated directors and employees so as to encourage enhanced performance, and that there be a clear relationship between performance and remuneration, and that the policy underlying executive remuneration be understood by investors. The eServGlobal board's Remuneration and Nominations Committee at the date of this report consists of the following directors:

- Jim Pratt (Chairman)
- Graham Libbesson

The Remuneration and Nominations Committee has specific responsibilities for the recommendation of board nominations, and for recommendations relating to remuneration policies applicable for all directors and senior executive officers.

In relation to board nominations, when it is considered necessary, the committee identifies an appropriate list of suitable candidates and makes recommendations to the board.

In relation to remuneration policies applicable to all directors and senior executive officers, the committee reviews the remuneration policies applicable to all directors and senior executive officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee may seek the advice of external advisers in connection with the structure of remuneration packages.

Particulars concerning directors' and executives' remuneration and the company's executive and share option plan are set out in the notes to the financial statements and the directors' report.

RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The ASX Corporate Governance Council recommends that the company recognise the legal and other obligations to all legitimate stakeholders. In this regard it is acknowledged that companies have a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole, and it is suggested that companies disclose a code of conduct.

eServGlobal's code of conduct is published internally on its intranet through its internal policies and procedures that guide the way the company conducts its business. The policies cover compliance with laws, employment practices, occupational health and safety, confidentiality and other legal compliance.

INDEPENDENT AUDIT REPORT

to the Members of eServGlobal Limited

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both eServGlobal Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 20 to 50. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.


AUDIT OPINION

In our opinion, the financial report of eServGlobal Limited is in accordance with:

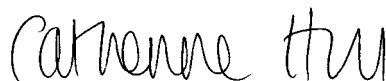
(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.



DELOITTE TOUCHE TOHMATSU



Catherine Hill
Partner
Chartered Accountants

Sydney, 29 August, 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

DIRECTORS' DECLARATION

The directors declare that:

- (a) 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.
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Ian Buddery
Director



Patrick McGrory
Director

Sydney, 29 August 2005

STATEMENT OF FINANCIAL PERFORMANCE

as at the 30 June 2005

	Note	CONSOLIDATED		COMPANY	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sales revenue		38,427	28,951	9,852	1,922
Cost of sales		(21,681)	(17,508)	(9,683)	(2,054)
Gross profit / (loss)		16,746	11,443	169	(132)
Other revenue from ordinary activities		419	429	5,046	813
Sales and marketing expenses		(6,604)	(5,072)	(1,684)	(378)
Administration expenses		(7,858)	(8,905)	(1,461)	(4,233)
Corporate expenses		(1,571)	(1,571)	–	–
Borrowing costs		(2)	(9)	(1)	(7)
Profit / (loss) from ordinary activities before income tax expense	2	1,130	(3,685)	2,069	(3,937)
Income tax (expense)/benefit relating to ordinary activities	4	(18)	(1,805)	(480)	(1,329)
Net profit / (loss)		1,112	(5,490)	1,589	(5,266)
Total changes in equity other than those resulting from transactions with owners as owners		1,112	(5,490)	1,589	(5,266)
Earnings per share					
Basic (cents per share)	23	1.0	(5.2)		
Diluted (cents per share)	23	1.0	(5.2)		

Notes to the financial statements are included on pages 24 to 50

STATEMENT OF FINANCIAL POSITION

as at the 30 June 2005

	Note	CONSOLIDATED		COMPANY	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current assets					
Cash assets	29 (a)	11,742	14,658	9,364	11,262
Receivables	8	14,140	7,716	13,969	8,542
Current tax assets	9	380	–	–	–
Total current assets		26,262	22,374	23,333	19,804
Non-current assets					
Other financial assets	10	–	–	38,373	38,373
Property, plant and equipment	11	1,824	1,496	102	112
Intangibles	12	23,291	24,861	–	–
Deferred tax assets	13	380	–	380	–
Other	14	–	598	–	598
Total non-current assets		25,495	26,955	38,855	39,083
Total assets		51,757	49,329	62,188	58,887
Current liabilities					
Payables	15	6,173	4,938	1,787	951
Interest-bearing liabilities	16	–	–	8,860	8,516
Current tax liabilities	17	51	142	–	–
Provisions	18	555	412	223	145
Other	19	1,404	2,230	306	707
Total current liabilities		8,183	7,722	11,176	10,319
Non-current liabilities					
Total non-current liabilities		–	–	–	–
Total liabilities		8,183	7,722	11,176	10,319
Net assets		43,574	41,607	51,012	48,568
Equity					
Contributed equity	21	53,071	52,216	53,071	52,216
Retained profits / (accumulated losses)	22	(9,497)	(10,609)	(2,059)	(3,648)
Total equity		43,574	41,607	51,012	48,568

Notes to the financial statements are included on pages 24 to 50

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2005

	Note	CONSOLIDATED		COMPANY	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers		33,099	35,392	9,179	8,446
Payments to suppliers and employees		(35,337)	(30,821)	(11,529)	(6,981)
Interest received		419	412	337	728
Interest and other costs of finance paid		(2)	(9)	(1)	(7)
Income tax refunded / (paid)		15	(38)	–	–
Net cash (used in) / provided by operating activities	29(c)	(1,806)	4,936	(2,014)	2,186
Cash flows from investing activities					
Payment for property, plant and equipment		(1,253)	(492)	(85)	(27)
Proceeds from sale of property, plant & equipment		–	17	–	85
Research and development costs paid		–	(715)	–	(715)
Net cash used in investing activities		(1,253)	(1,190)	(85)	(657)
Cash flows from financing activities					
Proceeds from issue of shares		855	–	855	–
Net cash provided by financing activities		855	–	855	–
Net increase / (decrease) in cash held		(2,204)	3,746	(1,244)	1,529
Cash at the beginning of the financial year		14,658	10,878	11,262	9,749
Effects of exchange rate changes on the balance of cash held in foreign currencies		(712)	34	(654)	(16)
Cash at the end of the financial year	29(a)	11,742	14,658	9,364	11,262

Notes to the financial statements are included on pages 24 to 50

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

1. SUMMARY OF ACCOUNTING POLICIES

Financial reporting framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner, which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

Office furniture and fittings	5 years
Plant and equipment	3 years
Equipment under finance lease	2-3 years
Leasehold improvements	over the period of the lease

(d) Derivative financial instruments

The consolidated entity on occasion enters into forward foreign exchange contracts to manage its foreign exchange exposure. Further details of financial instruments are disclosed in Note 30 to the financial statements.

Foreign exchange contracts

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- i. deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- ii. recognised in the net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries and annual leave, expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(f) Financial instruments issued by the group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(g) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at the reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in net profit or loss in the period in which they arise.

Financial statements of integrated foreign operations are translated at the reporting date using the temporal method and exchange differences are taken to the net profit or loss for the year.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight-line basis over a period of 20 years.

(j) Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

From 1 July 2002 the wholly owned Australian resident entities elected to be taxed in Australia as a single entity. The head entity within the tax-consolidated group for the purposes of the consolidation system is eServGlobal Limited. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity.

(k) Interest-bearing liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

(l) Investments

Investments in controlled entities are recorded at cost. Dividend revenue is recognised on a receivable basis.

(m) Leased assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis that reflects the pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

(o) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 26 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(p) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(q) Recoverable amount of non-current assets

Non-current assets are written down to recoverable amounts where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(r) Research and development costs

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt to be recoverable.

Any deferred research and development costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product. The unamortised balance of research and development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written off as an expense in net profit or loss.

(s) Revenue recognition

Sale of Goods, Licences and Disposal of Assets

Revenue from the sale of goods, licences and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is billed based on contractual terms, or on an actual time and costs basis. Revenue is recognised when the work is performed. Where the services are part of a project to supply custom designed and developed software or solutions, revenue is recognised by reference to the stage of completion of the project.

Revenue from Support, Maintenance and Facilities Management Agreements

Revenue from support and maintenance contracts is recognised over time as it is earned.

(t) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors. Dividends declared after the reporting date but before the financial report is authorised for issue are not recognised as a liability at the reporting date, in accordance with accounting standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES				
Profit/(Loss) from ordinary activities before income tax includes the following items of revenue and expense:				
Operating revenue				
Sales Revenue:				
Sale of goods	10,270	8,273	3,544	400
Rendering of services	28,157	20,678	6,308	1,522
Interest revenue:				
Other entities	419	412	380	728
Dividends:				
Subsidiaries	–	–	4,500	–
Net foreign exchange gain	–	–	209	–
	38,846	29,363	14,941	2,650
Non-operating Revenue				
Proceeds from the sale of assets	–	17	–	85
	38,846	29,380	14,941	2,735
Expenses				
Cost of sales	21,681	17,508	9,683	2,054
Borrowing costs:				
Interest:				
Other entities	2	9	1	7
Depreciation of non-current assets:				
Office furniture and fittings	42	66	5	28
Leasehold improvements	5	12	–	5
Plant and equipment	794	777	90	175
	841	855	95	208
Amortisation of non-current assets:				
Goodwill (i)	1,571	1,571	–	–
Research and development	598	1,426	598	1,426
Operating lease rental expenses:				
Minimum lease payments	898	768	93	130
Net foreign exchange loss	958	8	–	5
Loss on disposal of non-current assets				
Plant and equipment	84	25	–	49

(i) Costs in association with amortisation and impairment of goodwill are disclosed in corporate expenses in the Statement of Financial Performance.

(ii) Administration expenses in the Statement of Financial Performance include \$0.587 million non-recurring costs incurred in the London Stock Exchange (AIM) Listing.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3. SALES OF ASSETS				
Sales of assets in the ordinary course of business have given rise to the following losses:				
Net losses				
Property, plant and equipment	84	25	–	49
4. INCOME TAX				
(a) The prima facie income tax expense / (benefit) on pre-tax accounting profit / (loss) reconciles to the income tax expense / (benefit) in the financial statements as follows:				
Profit / (loss) from ordinary activities	1,130	(3,685)	2,069	(3,937)
Income tax expense / (benefit) calculated at 30%.	339	(1,106)	621	(1,181)
Permanent differences:				
– Amortisation of intangible assets	471	471	–	–
– Non-deductible / (non-assessable) expenses	128	81	(107)	134
– Amortisation on revaluation of assets owned by subsidiaries	(226)	(226)	(226)	(226)
– With-holding tax credits not brought to account as future income tax benefit	860	–	860	–
– Non-assessable dividend	–	–	(1,350)	–
– Tax losses utilised	(453)	–	(492)	–
– Tax losses previously written off now brought to account	(380)	–	(380)	–
– Timing differences and tax losses not brought to account as future income tax benefits	–	1,193	–	743
– Timing differences and tax losses previously brought to account as future income tax benefits now written off	–	1,410	–	1,121
– Foreign exchange gain on translation of integrated overseas operations	(59)	(3)	–	–
– Effect of lower rates of tax on overseas income	(14)	(15)	–	–
– Over provision of tax in prior years	(648)	–	(186)	–
Impact of the Tax Consolidation System:				
Tax attributable to subsidiary	–	–	1,740	738
	(321)	2,911	(140)	2,510
Income tax expense relating to ordinary activities	18	1,805	480	1,329
(b) Future income tax benefits not brought to account as assets:				
Tax losses – revenue	2,043	3,092	677	2,076
Timing differences	4,701	4,485	4,701	4,174
Withholding tax credits	1,453	593	1,453	593
	8,197	8,170	6,831	6,843

4. INCOME TAX (continued)

The taxation benefits of tax losses and timing difference not brought to account will only be obtained if:

- a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- b) conditions for deductibility imposed by the law are complied with; and
- c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes, was substantively enacted on 21 October 2002.

From 1 July 2002 the wholly owned Australian resident entities elected to be taxed in Australia as a single entity. The implementation of the tax consolidation system has been formally notified to the Australian Taxation Office. The head entity within the tax consolidated group for the purposes of the consolidation system is eServGlobal Limited. As a result, income tax expenses, revenues, assets and liabilities of the members of the tax consolidated group are recognised in the financial statements of the parent entity.

The tax values of the subsidiary assets have been reset on implementation of tax consolidation resulting in uplift in tax value of \$18,800,000, which is deductible over the lifetime of the asset, being 25 years. This will give rise to an annual deduction against taxable income of \$752,000. The company has not brought to account the future income tax benefit.

5. DIRECTORS' AND EXECUTIVES' REMUNERATION

This disclosure is prepared in accordance with the Australian Accounting Standards Board Standard 1046A – Director and Executive Disclosures by Disclosing Entities.

The specified directors of eServGlobal Limited during the year were:

- I Buddery (Executive Chairman)
- P McGrory (Chief Executive Officer)
- R Allen (Non-executive), resigned 8th September 2004
- F Barrault (Non-executive).
- G Libbesson (Non-executive).
- J Pratt (Non-executive).
- D Smart (Non-executive).

The specified executives of the eServGlobal Limited consolidated entity during the year were:

- J M Hartigan (Chief Financial Officer and Secretary).
- P Curran (Vice-President Support).
- F Dedobbeleer (Vice-President Sales).
- C Lynch (Vice-President Marketing).
- S Sharma (Vice-President Services).
- A Taylor (Vice-President Engineering).

Specified directors' and specified executives' remuneration

The remuneration and nominations committee reviews the remuneration packages of all specified directors and certain specified executives on an annual basis and makes recommendations to the Board. The Boards approach on Remuneration Policies is set out in the Remuneration Report which forms part of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

5. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Specified directors

2005	Primary		Post Employment	Equity	Termination benefits	Total
	Salary & fees	Bonus (incl. variable pay component)	Superannuation	Options		
	\$	\$	\$	\$	\$	\$
I Buddery	238,999	–	11,342	–	–	250,341
P McGrory (i)	331,250	91,875	11,342	–	–	434,467
R Allen	6,658	–	–	–	–	6,658
F Barrault	50,182	–	–	22,967	–	73,149
G Libbesson	42,500	–	3,825	–	–	46,325
J Pratt	41,250	–	1,013	22,967	–	65,230
D Smart	42,500	–	3,825	–	–	46,325
Total	753,339	91,875	31,347	45,934	–	922,495

2004

I Buddery	187,522	–	8,996	–	–	196,518
P McGrory (iii) (vi) (v)	238,334	58,973	14,073	–	73,333	384,713
R Allen	38,278	–	–	–	–	38,278
F Barrault (ii) (v)	68,180	–	–	12,143	–	80,323
G Libbesson	27,462	–	2,472	–	–	29,934
R Osborne	7,486	–	–	–	–	7,486
J Pratt (ii)	30,000	–	–	12,143	–	42,143
J Roberts (iv)	85,520	–	–	–	65,006	150,526
D Smart	35,000	–	3,150	–	–	38,150
Total	717,782	58,973	28,691	24,286	138,339	968,071

Specified Executives

2005	Primary			Post Employment	Equity	Termination Benefits	Total
	Salary & fees	Bonus (incl. variable pay component)	Non-monetary	Superannuation	Options		
	\$	\$	\$	\$	\$	\$	\$
J M Hartigan (i)	207,500	83,000	–	11,342	23,057	–	324,899
P Curran (i)	161,708	45,072	–	11,342	31,905	–	250,027
F Dedobbeleer (i)	334,967	176,202	28,018	–	6,716	–	545,903
C Lynch (i)	160,845	107,951	–	11,239	8,676	–	288,711
S Sharma (i)	206,403	51,894	–	11,342	–	–	269,639
A Taylor (i)	198,083	22,754	–	–	–	–	220,837
Total	1,269,506	486,873	28,018	45,265	70,354	–	1,900,016

5. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Specified Executives

2004	Primary Bonus			Post Employment	Equity	Termination Benefits	Total
	Salary & fees	(incl. variable pay component)	Non-monetary	Superannuation	Options		
	\$	\$	\$	\$	\$	\$	
J M Hartigan (ii) (vii)	156,923	78,630	–	8,874	14,593	–	259,020
P Curran (vii)	154,084	40,355	–	11,002	–	–	205,441
F Dedobbeleer (vii)	364,633	273,961	33,302	–	15,486	–	687,382
C Lynch (vii)	138,443	81,788	–	11,002	7,548	–	238,781
S Sharma (iii) (vii)	190,181	36,187	–	13,026	–	89,566	328,960
A Taylor (vii)	179,047	21,485	–	–	–	–	200,532
Total	1,183,311	532,406	33,302	43,904	37,627	89,566	1,920,116

2005

(i) The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and other specified executives are remunerated on a salary package basis that includes a substantial portion that is a variable component which is dependent on company performance and individual performance objectives.

P McGrory, and all specified executives had their other variable pay components confirmed on the 16th August 2005.

The variable components for P McGrory, J M Hartigan, P Curran, F Dedobbeleer, C Lynch, S Sharma and A Taylor were confirmed on the successful achievement of revenue and EBITDA components and on the achievement of performance criteria established early in the year.

2004

(ii) Mr J M Hartigan was granted executive share options under the executives share options plan on the 12/11/2003. Mr J Pratt was granted executive share options under the executives share options plan on the 20/12/2003. Mr F Barrault was granted executive share options under the executives share options plan on the 20/12/2003.

(iii) Subsequent to the end of the 2003 financial year and prior to board changes in September 2003 Mr S Sharma was made redundant on the 15 August 2003 and Mr P McGrory resigned on the 13 August 2003. They were subsequently re-appointed in the 2004 financial year.

(iv) This employee resigned as a director on the 26 July 2003 and as an employee on the 19 September 2003.

(v) This amount includes \$17,691 as special consulting fees for a task carried out in Europe.

(vi) Included in this table is a termination payment made to Mr P McGrory in August 2003 when he left the company as Vice-President of Asia Pacific. He was subsequently appointed as Chief Executive Officer.

(vii) Mr P McGrory, and all specified executives were granted bonuses and other variable pay components confirmed on the 4 August 2004. Mr P McGrory and Mr JM Hartigan's variable pay components were granted on the successful achievement of pre-arranged operational performance criteria. Mr P Curran, Mr C Lynch and Mr S Sharma were granted variable pay components based on the level on sales revenue and gross margin achieved in their area of responsibility. Mr A Taylor was granted a bonus reflecting successful outcomes in the engineering division.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

6. EXECUTIVES AND EMPLOYEE SHARE OPTIONS

The company has ownership-based remuneration schemes for directors, executives and employees. In accordance with the provisions of the scheme, directors and employees may be granted options to acquire ordinary shares in the company. The board believes that the options scheme has a significant role to play in motivating employees to help ensure the continued performance of the company, although the obligations to expense the notional benefit of options issued has impacted the ability to grant options. The exercise of any share options is not dependent on any performance criteria.

During the financial year, the company issued no options.

At the date of this report, option holders are entitled to purchase an aggregate of 172,576 ordinary shares of the entity as a result of options issued prior to the introduction of the eServGlobal Employee Share Option Plan. The exercise price of the options ranges from \$0.20 to \$1 and the options may be exercised at various times up until 8 September 2007.

Under the eServGlobal Employee Share Option Plan, established 4 August 2000 to assist in the attraction, retention and motivation of employees and Directors of the company and its related bodies corporate, at the date of this report directors, executives and employees are entitled to purchase an aggregate of 4,548,330 ordinary shares of the entity at issue prices ranging from \$0.15 per ordinary share to \$0.40 per share. At 30 June 2005 1,276,650 of these options had vested. The options may be exercised at various times up until 30 June 2009. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other body corporate or scheme, and do not participate in any dividends declared.

Share Options	2005 No	2004 No
Balance at the beginning of the financial year (i)	9,331,674	7,484,345
Cancelled during the financial year (ii)	–	–
Granted during the financial year (iii)	–	2,980,000
Lapsed during the financial year (iv)	(155,000)	(1,132,671)
Exercised during the financial year (v)	(4,455,768)	–
Balance at the end of the financial year (vi)	4,720,906	9,331,674

(i) Balance at the beginning of financial year

Options – Series	No	Vested No.	Unvested No.	Expiry Date \$	Exercise Price
Granted 4 September 2002 (a)	3,140,244	1,046,748	2,093,496	2007	\$0.18
Granted 24 December 1998	1,556,029	1,556,029	–	2005	\$0.20
Granted 18 March 1999	1,170,711	1,170,711	–	2006	\$0.20
Granted 21 October 1999	283,740	283,740	–	2006	\$0.20
Granted 1 January 2000	150,950	150,950	–	2007	\$0.20
Granted 8 September 2000	50,000	50,000	–	2007	\$1.00
Granted 12 November 2003	250,000	–	250,000	2008	\$0.20
Granted 12 November 2003	250,000	–	250,000	2008	\$0.40
Granted 20 December 2003	500,000	–	500,000	2008	\$0.15
Granted 20 December 2003	500,000	–	500,000	2008	\$0.40
Granted 30 June 2004 (b)	1,480,000	–	1,480,000	2009	\$0.23
	9,331,674	4,258,178	5,073,496		

6. EXECUTIVES AND EMPLOYEE SHARE OPTIONS (continued)

Share options carry no rights to dividends and no voting rights

(a) In accordance with the terms of the Employee Share Option Plan, option granted on 4 September 2002 vest/vested as follows:

1,046,748	4 September 2003
1,046,748	4 September 2004
1,046,748	4 September 2005
<u>3,140,244</u>	

(b) In accordance with the terms of the Employee Share Option Plan, options granted on 30 June 2004 vest/vested as follows:

493,314	30 June 2005
493,334	30 June 2006
493,352	30 June 2007
<u>1,480,000</u>	

In accordance with the terms of the Employee Share Option Plan, options may be exercised at any time from the date on which they vest to the date of their expiry.

(ii) Cancelled during the financial year

No options were cancelled during the financial year

(iii) Granted during the financial year

There were no options granted during the financial year

(iv) Lapsed during the financial year

2004 Options – Series	No.	Exercise Price
Issued 4 September 2002	155,000	\$0.18
	<u>155,000</u>	

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

6. EXECUTIVES AND EMPLOYEE SHARE OPTIONS (continued)

(v) Exercised During the financial year

2003 Options – Series

Issued	Number Exercised	Exercise Date	Share Price at Exercise Date \$
24 December 1998	113,496	10/12/04	0.45
24 December 1998	1,357,411	20/12/04	0.65
18 March 1999	253,231	25/08/04	0.65
18 March 1999	350,000	13/10/04	0.65
18 March 1999	567,480	19/10/04	0.65
21 October 1999	283,740	21/12/04	0.65
1 January 2000	56,748	10/12/04	0.65
1 January 2000	56,748	21/01/05	0.58
4 September 2002	100,000	13/10/04	0.58
4 September 2002	8,000	13/10/04	0.58
4 September 2002	13,334	13/10/04	0.58
4 September 2002	33,334	13/10/04	0.58
4 September 2002	30,000	13/10/04	0.60
4 September 2002	23,334	19/10/04	0.72
4 September 2002	50,000	29/10/04	0.66
4 September 2002	200,000	02/11/04	0.60
4 September 2002	13,334	02/11/04	0.60
4 September 2002	200,000	12/11/04	0.60
4 September 2002	160,000	24/11/04	0.60
4 September 2002	333,334	29/11/04	0.57
4 September 2002	16,666	10/12/04	0.60
4 September 2002	170,244	10/12/04	0.63
4 September 2002	40,000	16/12/04	0.67
4 September 2002	25,334	04/04/05	0.87
	4,455,768		

6. EXECUTIVES AND EMPLOYEE SHARE OPTIONS (continued)

(vi) Balance at end of financial year

Options – Series	No	Vested No.	Unvested No.	Expiry Date \$	Exercise Price
Issued 4 September 2002 (a)	1,568,330	783,336	784,994	2007	\$0.18
Issued 24 December 1998	85,122	85,122	–	2005	\$0.20
Issued 1 January 2000	37,454	37,454	–	2007	\$0.20
Issued 8 September 2000	50,000	50,000	–	2007	\$1.00
Issued 12 November 2003	250,000	–	250,000	2008	\$0.20
Issued 12 November 2003	250,000	–	250,000	2008	\$0.40
Issued 20 December 2003	500,000	–	500,000	2008	\$0.15
Issued 20 December 2003	500,000	–	500,000	2008	\$0.40
Issued 30 June 2004	1,480,000	493,314	986,686	2009	\$0.23
	4,720,906	1,449,226	3,271,680		

Share options carry no rights to dividends and no voting rights

(a) In accordance with the terms of the Employee Share Option Plan, options granted on 4 September 2002 vest/vested as follows:

390,001	4 September 2003
393,335	4 September 2004
784,994	4 September 2005

Options issued on 12 November 2003 vest on 12 November 2006

Options issued on 20 December 2003 vest on 20 December 2006

Options issued on 30 June 2004 vest as follows:

493,314	30 June 2005
493,334	30 June 2006
493,352	30 June 2007

In accordance with the terms of the Employee Share Option Plan, options may be exercised at any time from the date on which they vest to the date of their expiry.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
7. REMUNERATION OF AUDITORS				
Auditor of the Parent Entity				
Auditing of the financial report	113,795	94,000	113,795	94,000
Other services – Taxation compliance	35,000	27,000	35,000	27,000
Other services – Taxation advice	83,234	13,400	83,234	13,400
Other services – AIM listing	44,820	–	44,820	–
Other services – Transition to A-IFRS	46,611	5,500	46,611	5,500
Other services – Other	34,668	20,800	34,668	20,800
	358,128	160,700	358,128	160,700
Other Auditors				
Auditing the financial report	66,624	42,854	–	–
Other services	38,493	5,814	–	–
	105,117	48,668	–	–
	463,245	209,368	358,128	160,700
The auditor of eServGlobal is Deloitte Touche Tohmatsu.				
	\$'000	\$'000	\$'000	\$'000
8. CURRENT RECEIVABLES				
Trade receivables	7,077	4,120	1,299	597
Allowance for doubtful debts	–	(20)	–	(20)
	7,077	4,100	1,299	577
Prepayments	375	289	146	33
Goods and services tax (GST) recoverable	248	202	166	9
Amount owed by wholly-owned controlled entities	–	–	9,358	7,688
Unbilled earned revenue	6,350	2,572	2,981	175
Other	90	553	19	60
	14,140	7,716	13,969	8,542
9. CURRENT TAX ASSETS				
Tax refund receivable	380	–	–	–
10. OTHER NON-CURRENT FINANCIAL ASSETS				
Shares in controlled entities – at cost	–	–	38,373	38,373

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
11. PROPERTY, PLANT AND EQUIPMENT				
Consolidated				
<i>Gross carrying amount – at cost</i>				
Balance at 30 June 2004	290	369	3,646	4,305
Additions	17	24	1,212	1,253
Disposals	(19)	–	(561)	(580)
Balance at 30 June 2005	288	393	4,297	4,978
Accumulated depreciation/ amortisation				
Balance at 30 June 2004	158	349	2,302	2,809
Depreciation expense	42	5	794	841
Disposal	(14)	–	(482)	(496)
Balance at 30 June 2005	186	354	2,614	3,154
Net book value				
As at 30 June 2004	132	20	1,344	1,496
As at 30 June 2005	102	39	1,683	1,824
Company				
<i>Gross carrying amount – at cost</i>				
Balance at 30 June 2004	31	173	593	797
Additions	–	–	85	85
Disposals	–	–	–	–
Balance at 30 June 2005	31	173	678	882
Accumulated depreciation/ amortisation				
Balance at 30 June 2004	21	173	491	685
Depreciation expense	5	–	90	95
Disposals	–	–	–	–
Balance at 30 June 2005	26	173	581	780
Net book value				
As at 30 June 2004	10	–	102	112
As at 30 June 2005	5	–	97	102

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. INTANGIBLES				
Goodwill	31,407	31,407	–	–
Accumulated amortisation	(8,116)	(6,546)	–	–
	23,291	24,861	–	–
Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.				
13. DEFERRED TAX ASSETS				
Future income tax benefit:				
– Tax losses – revenue	–	–	–	–
Timing differences attributable to:				
– Parent entity	380	–	380	–
– Entities in the tax consolidated group	–	–	–	–
	380	–	380	–
14. OTHER NON-CURRENT ASSETS				
Deferred research and development costs brought forward	3,965	3,250	3,965	3,250
Deferred to Statement of Financial Position	–	715	–	715
Deferred costs carried forward	3,965	3,965	3,965	3,965
Accumulated amortisation brought forward	(3,367)	(1,941)	(3,367)	(1,941)
Amortised to profit and loss (cost of sales) in the year	(598)	(563)	(598)	(563)
One-off write-down of capitalised research and development	–	(863)	–	(863)
Accumulated amortisation carried forward	(3,965)	(3,367)	(3,965)	(3,367)
Net Research and Development deferred in the Statement of Financial Position	–	598	–	598
15. CURRENT PAYABLES				
Trade payables	5,998	4,938	1,787	951
Goods and Services Tax (GST) payable	175	–	–	–
	6,173	4,938	1,787	951
16. CURRENT INTEREST-BEARING LIABILITIES				
Unsecured:				
– Owed to wholly owned controlled entities	–	–	8,860	8,516

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

17. CURRENT TAX LIABILITIES

Income tax payable attributable to:

- Other group companies

51	142	–	–
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18. CURRENT PROVISIONS

Employee benefits (note 20)

555	412	223	145
-----	-----	-----	-----

19. OTHER CURRENT LIABILITIES

Deferred income

1,404	2,230	306	707
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20. EMPLOYEE BENEFITS

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

Provision for employee benefits:

Current (note 18)

555	412	223	145
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	2005 No.	2004 No.	2005 No.	2004 No.
Number of employees at end of financial year	179	153	29	17

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

21. CONTRIBUTED EQUITY

109,800,035 fully paid ordinary shares (2004: 105,344,267)

53,071	52,216	53,071	52,216
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	CONSOLIDATED AND COMPANY			
	2005		2004	
	No. '000	\$ '000	No. '000	\$ '000
Fully Paid Ordinary Shares				
Balance at the beginning of financial year	105,344	52,216	105,344	52,216
Issued in the year	4,456	855	–	–
Balance at the end of financial year	109,800	53,071	105,344	52,216

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options

In accordance with the executive and employee share option plan as at 30 June 2005, employees are entitled to purchase shares in the company. Details of the executive and employee share option plan are contained in note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
22. RETAINED PROFITS/(ACCUMULATED LOSSES)				
Retained (accumulated losses) / profits at the beginning of the financial year.	(10,609)	(5,119)	(3,648)	1,618
Net profit / (loss) attributable to members of the parent entity	1,112	(5,490)	1,589	(5,266)
Balance at end of financial year	(9,497)	(10,609)	(2,059)	(3,648)

	CONSOLIDATED	
	2005 Cents Per Share	2004 Cents Per Share
23. EARNINGS PER SHARE		
Basic earnings per share	1.0	(5.2)
Diluted earnings per share	1.0	(5.2)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2005 \$'000	2004 \$'000
Earnings – being the net profit/(loss) in the Statement of Financial Performance	1,112	(5,490)
	2005 No.	2004 No.
Weighted average number of ordinary shares	108,060,463	105,344,267

Diluted earnings per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2005 \$'000	2004 \$'000
Earnings – being the net profit/(loss) in the Statement of Financial Performance	1,112	(5,490)
	2005 No.	2004 No.
Weighted average number of ordinary shares and potential ordinary shares (a)	111,102,293	105,657,450

CONSOLIDATED	
2005	2004
No.	No.

23. EARNINGS PER SHARE (continued)

(a) Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic EPS	108,060,463	105,344,267
Shares deemed to be issued for no consideration in respect of employee options	3,041,830	313,183
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	111,102,293	105,657,450

(b) The following potential ordinary shares are not dilutive and therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

Options	50,000	5,691,430
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CONSOLIDATED AND COMPANY

	2005		2004	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000

24. DIVIDENDS

Unrecognised Amounts

Final dividend				
Fully Paid Ordinary Shares franked to 30%	1.0	1,098	–	–

COMPANY

	2005 \$'000	2004 \$'000
Adjusted franking account balance (tax paid basis)	1,444	1,444
Impact on franking account of unrecognised dividends	(471)	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

25. LEASES

Operating Leases

Leasing arrangements

Operating leases relate to office facilities with lease terms of up to six years. The company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases

Not longer than 1 year	895	700	124	8
Longer than 1 year and not longer than 5 years	1,323	920	316	–
	<u>2,218</u>	<u>1,620</u>	<u>440</u>	<u>8</u>

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2005 %	2004 %

26. CONTROLLED ENTITIES

Parent Entity

eServGlobal Limited Australia (v) (vi)

Controlled Entity

Integrator Pty Limited	Australia (iii) (iv) (v)	100	100
eServGlobal (NZ) Pty Limited	Australia (iv) (v)	100	100
eServGlobal (HK) Limited	Hong Kong (i)	100	100
eServGlobal NVSA	Belgium (i)	100	100
eServGlobal UK Limited	United Kingdom (i)	100	100
eServGlobal Inc	United States of America (ii)	100	100

- (i) These controlled entities carry on business in New Zealand, United Kingdom, Belgium and Hong Kong and are audited by associated firms of Deloitte Touche Tohmatsu Australia.
- (ii) This controlled entity carries on business in the USA and is relieved from the requirement to prepare, audit and lodge a financial report.
- (iii) This controlled entity did not trade in the year ended 30 June 2005.
- (iv) These controlled entities are classified as small proprietary companies and, in accordance with the Corporations Act 2001, are relieved from the requirement to prepare, audit and lodge a financial report.
- (v) These companies are members of the tax consolidated group.
- (vi) eServGlobal Limited is the head entity within the tax consolidated group.

27. SEGMENT INFORMATION

The consolidated entity operates in one business segment, the Telecommunications Software Solutions business, and in the following geographical segments:

SEGMENT REVENUES	EXTERNAL SALES		INTER-SEGMENT (I)		TOTAL	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Geographical						
Asia Pacific	13,681	8,310	1,799	2,342	15,480	10,652
Europe	24,746	20,641	–	–	24,746	20,641
Americas	–	–	–	–	–	–
Total of all geographies	38,427	28,951	1,799	2,342	40,226	31,293
Eliminations					(1,799)	(2,342)
Unallocated					419	429
Consolidated					38,846	29,380

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods and services.

SEGMENT RESULTS

Geographical	2005	2004
	\$'000	\$'000
Asia Pacific	2,246	(1,249)
Europe	1,768	735
Americas	(1)	(2)
Total of all geographies	4,013	(516)
Unallocated	(2,883)	(3,169)
Profit/(Loss) from ordinary activities before income tax expense	1,130	(3,685)
Income tax (expense) / benefit relating to ordinary activities	(18)	(1,805)
Net Profit/(Loss)	1,112	(5,490)

SEGMENT ASSETS & LIABILITIES

SEGMENT ASSETS & LIABILITIES	ASSETS		LIABILITIES	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Asia Pacific	17,385	16,716	4,022	2,864
Europe	10,678	7,726	4,104	4,709
Americas	23	26	6	7
Total of all geographies	28,086	24,468	8,132	7,580
Unallocated	23,671	24,861	51	142
Consolidated	51,757	49,329	8,183	7,722

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

27. SEGMENT INFORMATION (continued)

OTHER SEGMENT INFORMATION	ASIA PACIFIC		EUROPE		USA	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Geographical						
Depreciation and amortisation of segment assets	394	458	447	398	–	–
Acquisition of segment assets	719	898	534	310	–	–
Other non-cash expense	–	–	–	–	–	–

The consolidated entity operates in three principal geographical areas – Asia Pacific, Europe and the United States of America. The consolidated entity only operates in one business segment, the Telecommunication software solutions business. The composition of each geographical segment is as follows;

Asia Pacific – eServGlobal Limited, eServGlobal (HK) Limited, eServGlobal (NZ) Pty Limited, Integrator Pty Ltd

Europe – eServGlobal UK Limited, eServGlobal NVSA

United States of America – eServGlobal Inc

28. RELATED PARTY DISCLOSURES

a) Equity Interests in Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 26 to the financial statements.

b) Specified Directors' and Specified Executives' Remuneration

Details of directors' remuneration are disclosed in note 5 to the financial statements.

c) Specified Directors' and Specified Executives' Equity Holdings

Fully paid ordinary shares issued by eServGlobal Limited

	Balance at 1/7/04	Received on exercise of options	Net other change	Balance at 30/06/05
Specified directors				
I Buddery (i)	16,055,982	–	–	16,055,982
P McGrory	3,085,426	–	–	3,085,426
P McGrory (ii)	947,281	–	–	947,281
R Allen (iv)	20,000	–	(20,000)	–
R Allen (iii) (iv)	20,750,251	–	(20,750,251)	–
Specified executives				
J M Hartigan (iii)	10,000	–	–	10,000
F Dedobbeleer	–	333,334	–	333,334
S Sharma	1,297,596	–	–	1,297,596
A Taylor	5,794,535	–	–	5,794,535
	47,961,071	333,334	(20,770,251)	27,524,154

(i) Relevant interest held in shares registered in the name of Wallaby Hill Pty Ltd in which I Buddery holds an interest.

(ii) Relevant interest held in shares registered in the name of Integrator Administration Pty Ltd in which P McGrory holds an interest.

(iii) Held indirectly.

(iv) R Allen resigned as a director on the 8th September 2004, prior to the exercise of all his options.

28. RELATED PARTY DISCLOSURES (continued)

Executive share options issued by eServGlobal Limited

	Balance at 1/7/04	Granted as remuneration	Exercised	Other Change	Balance at 30/6/05	Balance vested at 30/06/05	Vested but not exercisable	Vested and exercisable	Vested during the year
Specified directors									
I Buddery	–	–	–	–	–	–	–	–	–
P McGrory	–	–	–	–	–	–	–	–	–
R Allen (i)	567,480	–	–	(567,480)	–	–	–	–	–
F Barrault	500,000	–	–	–	500,000	–	–	–	–
G Libbesson	–	–	–	–	–	–	–	–	–
J Pratt	500,000	–	–	–	500,000	–	–	–	–
D Smart	50,000	–	–	–	50,000	50,000	–	50,000	–
Specified executives									
J M Hartigan	500,000	–	–	–	500,000	–	–	–	–
P Curran	300,000	–	–	–	300,000	100,000	–	100,000	100,000
F Dedobbeleer	500,000	–	(333,334)	–	166,666	–	–	–	166,666
C Lynch	300,000	–	–	–	300,000	183,332	–	183,332	99,999
S Sharma	–	–	–	–	–	–	–	–	–
A Taylor	–	–	–	–	–	–	–	–	–
	3,217,480	–	(333,334)	(567,480)	2,316,666	333,332	–	333,332	366,665

(i) Resigned as a director 8 September 2004, prior to the exercise of all his options.

All executive share options issued to directors and executives during the financial year were made in accordance with the provisions of the executive share option plan.

Each executive share plan option converts into 1 ordinary share of eServGlobal Limited when the option is exercised and the exercise price paid. When options are issued, no amounts are paid or payable by the recipient of the option, prior to the exercise of all his options.

	CONSOLIDATED		COMPANY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
	20,551	35,855	20,551	35,855

d) Other Transactions with Specified Directors

The profit from ordinary activities before income tax includes the following items of revenue and (expense) that resulted from transactions with directors or their director – related entities:

Roger Allen has an economic interest in the management of a fund that holds an interest Sententia Pty Ltd, which provided IT consulting and other services on normal commercial terms

	20,551	35,855	20,551	35,855
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e) Transactions within the Wholly-Owned Group

The wholly-owned group includes:

- the ultimate parent entity in the wholly-owned group and
- wholly-owned controlled entities

The ultimate parent entity in the wholly-owned group is eServGlobal Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

28. RELATED PARTY DISCLOSURES (continued)

Amounts payable to entities in the wholly-owned group are disclosed in notes 8 and 16 to the financial statements.

Details of dividend revenue derived by the entity from entities in the wholly-owned group are disclosed in note 2 to the financial statements.

During the financial year eServGlobal Limited provided accounting and administration services, at cost, to entities in the wholly-owned group.

Under the Australian Tax Consolidation system eServGlobal Ltd assumed all of the tax liabilities of the Australian tax consolidated group.

f) Controlling Entities

The parent entity in the consolidated entity is eServGlobal Limited.

CONSOLIDATED		COMPANY	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

29. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	11,742	14,658	9,364	11,262
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b) Financing facilities

The consolidated entity has no financing facilities

c) Reconciliation of profit / (loss) from ordinary activities after related income tax to net cash flows from operating activities

Profit / (loss) from ordinary activities after related income tax	1,112	(5,490)	1,589	(5,266)
Depreciation of non-current assets	841	856	94	208
Amortisation of non-current assets	2,168	2,997	598	1,426
Loss on disposal of non-current assets	84	25	–	49
Amounts written off:				
– Investments in controlled entities	–	–	–	–
– Intangibles	–	–	–	–
Unrealised foreign exchange loss	–	–	–	–
Increase/(decrease) in income tax payable	(465)	285	–	(411)
Increase/(decrease) in tax balances	(380)	1,409	(380)	1,532
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
– Current receivables	(3,525)	3,856	(722)	(3,890)
– Other current assets	(3,754)	(357)	(2,870)	(58)
Increase/(decrease) in liabilities:				
– Current trade payables	2,694	809	–	8,425
– Current provisions	141	(286)	78	(187)
– Other current liabilities	(722)	832	(401)	358
Net cash from operating activities	(1,806)	4,936	(2,014)	2,186

30. FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

b) Interest Rate Risk

The consolidated entity's exposure to interest risk at 30 June 2005 is limited to the interest generated on cash balances of \$11.7 million (2004: \$14.7 million) which attract a variable interest rate and yielded a 3.6% (2004: 4%) weighted average interest rate for the financial year.

c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

d) Net Fair Value

The carrying amount of financial assets and liabilities represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

e) Forward Foreign Exchange Contracts

It is the policy of the company to enter into forward foreign exchange contracts in certain circumstances to cover specific foreign currency receipts.

There are no forward foreign currency contracts outstanding as at the reporting date.

31. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

32. MANAGEMENT OF THE TRANSITION TO A-IFRS

eServGlobal Limited will be required to prepare financial statements that comply with Australian equivalents to International Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, eServGlobal Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

In 2004, eServGlobal Limited established a project plan to carry out the transition to A-IFRS.

At the date of this financial report, eServGlobal Limited has substantially completed all phases of the project plan, including the assessment of accounting policy alternatives on transition to A-IFRS, the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005, and the determination of the likely impact on the results and financial position of the company and the consolidated entity. The company is currently conducting a post-implementation review as the final stage of the transition project.

32. MANAGEMENT OF THE TRANSITION TO A-IFRS (continued)

The likely impacts of A-IFRS on the results and financial position of the company and the consolidated entity.

The following proforma statement of financial performance and statement of financial position outline the likely impacts on the current year result and financial position of the company and consolidated entity had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors and, consequently the likely impacts outlined in the following proforma financial statements.

The directors may, at any time until the completion of the consolidated entity's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the pro-forma financial statements.

Statement of Financial Performance as at the 30 June 2005

	Note	CONSOLIDATED			COMPANY		
		A-GAAP Actual \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000	A-GAAP Actual \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000
Sales revenue		38,427	–	38,427	9,852	–	9,852
Cost of sales		(21,681)	–	(21,681)	(9,683)	–	(9,683)
Gross Profit		16,746	–	16,746	169	–	169
Other revenue from ordinary activities		419	–	419	5,046	–	5,046
Sales and marketing expenses		(6,604)	–	(6,604)	(1,684)	–	(1,684)
Administration expenses	(a)	(7,858)	(226)	(8,084)	(1,461)	(226)	(1,687)
Corporate expenses	(c)	(1,571)	1,571	–	–	–	–
Borrowing costs		(2)	–	(2)	(1)	–	(1)
Profit / (loss) from ordinary activities before income tax expense		1,130	1,345	2,475	2,069	(226)	1,843
Income tax (expense)/benefit relating to ordinary activities	(b)	(18)	(780)	(798)	(480)	(846)	(1,326)
Net profit / (loss)		1,112	565	1,677	1,589	(1,072)	517
Total changes in equity other than those resulting from transactions with owners as owners		1,112	565	1,677	1,589	(1,072)	517

32. MANAGEMENT OF THE TRANSITION TO A-IFRS (continued)

Statement of Financial Position as at the 30 June 2005

	Note	CONSOLIDATED			COMPANY		
		A-GAAP Actual \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000	A-GAAP Actual \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000
Current assets							
Cash assets		11,742	–	11,742	9,364	–	9,364
Receivables		14,140	–	14,140	13,969	–	13,969
Current tax assets		380	–	380	–	–	–
Total current assets		26,262	–	26,262	23,333	–	23,333
Non-current assets							
Other financial assets		–	–	–	38,373	–	38,373
Property, plant and equipment		1,824	–	1,824	102	–	102
Intangibles	(c)	23,291	1,571	24,862	–	–	–
Deferred tax assets	(b)	380	423	803	380	357	737
Other		–	–	–	–	–	–
Total non-current assets		25,495	1,994	27,942	38,855	357	39,212
Total assets		51,757	1,994	54,204	62,188	357	62,545
Current liabilities							
Payables		6,173	–	6,173	1,787	–	1,787
Interest-bearing liabilities		–	–	–	8,860	–	8,860
Current tax liabilities		51	–	51	–	–	–
Provisions		555	–	555	223	–	223
Other		1,404	–	1,404	306	–	306
Total current liabilities		8,183	–	8,183	11,176	–	11,176
Non-current liabilities							
Deferred tax liabilities	(b)	–	130	130	–	112	112
Total non-current liabilities		–	130	130	–	112	112
Total liabilities		8,183	130	8,313	11,176	112	11,288
Net assets		43,574	1,864	45,438	51,012	245	51,257
Equity							
Contributed equity		53,071	241	53,312	53,071	241	53,312
Retained profits / (accumulated losses)	(d)	(9,497)	1,623	(7,874)	(2,059)	4	(2,055)
Total equity		43,574	1,864	45,438	51,012	245	51,257

32. MANAGEMENT OF THE TRANSITION TO A-IFRS (continued)

The following explanatory notes relate to the proforma financial statements above and describe, for significant items, the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian GAAP ('AGAAP').

(a) Share-based payments

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. As a consequence, contributed equity will increase by \$241 thousand (company: \$241 thousand) and an additional employee benefit expense of \$226 thousand (company: \$226k thousand) will be recognised in profit and loss for the financial year ended 30 June 2005.

(b) Income Tax

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied as described in Note 1. Changes in deferred tax assets and deferred tax liabilities will arise as a consequence of the different method of measurement required under A-IFRS. Furthermore, under A-IFRS, tax losses and timing differences should be brought to account if the probability test is satisfied. Accordingly, certain tax losses have been brought to account on transition.

The cumulative impact on the consolidated financial position as 30 June 2005 of the different methodology to be applied will be to increase deferred tax assets by \$423 thousand (company: \$357 thousand), and to increase deferred tax liabilities by \$130 thousand (company: \$112 thousand). The impact on the consolidated profit and loss for the financial year ended 30 June 2005 is an increase in tax expense of \$780 thousand (company: \$846 thousand).

(c) Goodwill

The adoption of A-IFRS will not significantly impact the carrying amount of goodwill as at 1 July 2004 (date of transition) as the directors have decided not to restate past business combinations. Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. As a result, amortisation expense will decrease by \$1,571 thousand (company: \$nil) for the financial year ended 30 June 2005.

The directors have determined that there is one cash generating unit (CGU) which comprises the entire integrated business of the consolidated entity, and accordingly goodwill should be considered in that context. The directors commissioned an independent report from PKF Corporate Advisers Pty Ltd to consider the indicative value of the goodwill under A-IFRS principles, and on the basis of that report the directors have formed the view that there is no impairment in the carrying value of goodwill at the transition date of 1 July 2004.

(d) Retained earnings

With limited exceptions (for example, share-based payments), adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity will be an increase in retained earnings of \$1,623 thousand (company: \$4 thousand)

(e) Functional Currency

The consolidated entity has chosen to adopt Australian dollars as the functional currency for all overseas subsidiaries on transition to A-IFRS. As the group presently adopts the integrated method for accounting for overseas subsidiaries there will be no impact on transition to A-IFRS.

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 10 August 2005

ORDINARY SHARE CAPITAL

109,927,035 fully paid ordinary shares are held by 757 individual shareholders on the Australian Stock Exchange and 64 individual depository interest holders on the London Stock Exchange (AIM).

All issued ordinary shares carry one vote per share.

OPTIONS

77 individual option holders hold 4,593,906 options

Options do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Fully Paid Ordinary Shares Listed on ASX	Depository Interests Listed on LSE (AIM)	Options not listed
1 – 1,000	29	4	–
1,001 – 5,000	344	10	2
5,001 – 10,000	135	4	4
10,001 – 100,000	209	28	63
100,001 – Over	40	18	8
Total	757	64	77
Holding less than a marketable parcel	6		

SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholders	Number	Percentage
Guinness Peat Group plc and its subsidiaries	21,849,904	19.88%
Wallaby Hill Pty Ltd	16,055,982	14.61%
Merrill Lynch & Co Inc	9,293,250	8.45%
Link Traders (Aust) Pty Ltd	7,000,000	6.37%
Andy Taylor	5,794,535	5.27%

ADDITIONAL STOCK EXCHANGE INFORMATION (continued)

as at 10 August 2005

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

AUSTRALIAN STOCK EXCHANGE

Ordinary Shareholders	Number	% of capital
Guinness Peat Group plc and its subsidiaries	21,849,904	19.88%
Wallaby Hill Pty Ltd	16,055,982	14.61%
Andy Taylor	5,794,535	5.27%
Link Traders (Aust) Pty Ltd	4,996,550	4.55%
ANZ Nominees Limited	3,987,710	3.63%
Ian McManamey	3,531,426	3.21%
James Cone	3,237,787	2.95%
Patrick McGrory	3,085,426	2.81%
RBC Global Services Australia	1,900,000	1.73%
Adrian Seal	1,764,862	1.61%
Sanjay Kanwar Sharma	1,149,096	1.05%
Link Traders (Aust) Pty Ltd	1,003,450	0.91%
Integrator Administration	947,281	0.86%
Bell Potter Nominees Ltd	891,142	0.81%
Citicorp Nominees Pty Ltd	799,500	0.73%
Mr Laurence Kirby	557,410	0.51%
Mr Gavin John Tiplady	430,677	0.39%
Paul Graham	390,993	0.36%
Rob Edwards	364,889	0.33%
Marc Jolly	271,255	0.25%

Chief Financial Officer and Secretary

John M Hartigan, B Com, FCPA, FAICD, FCIS, ANZIIF
(Senior Associate)

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Share Registry

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Stock Exchange listings

eServGlobal Limited's ordinary shares are quoted on the Australian Stock Exchange Limited under the ticker "ESV", and on the London Stock Exchange (AIM) as Depository Interests under the ticker "ESG".

LONDON STOCK EXCHANGE (AIM)

Depository Interest Holders	Number	% of capital
Nutraco Nominees Limited	6,451,500	5.87%
Chase Nominees Limited	2,677,500	2.44%
Merrill Lynch International	2,311,750	2.10%
BNY (OCS) Nominees Limited	1,500,000	1.36%
Goldman Sachs International	1,497,000	1.36%
HSBC Global Custody Nominee (UK) Ltd	1,473,374	1.34%
Chase Nominees Limited	1,119,300	1.02%
Merrill Lynch Pensions Nominees Limited	1,117,500	1.02%
Pershing Keen Nominees Limited	1,110,000	1.01%
Lehman Brothers International (Europe)	820,000	0.75%
Nortrust Nominees Limited	649,313	0.59%
NCL (Nominees) Limited	622,800	0.57%
Redmayne (Nominees) Limited	357,900	0.33%
W B Nominees Limited	355,000	0.32%
TD Waterhouse Nominees (Europe) Ltd	261,917	0.24%
Barclayshare Nominees Limited	171,233	0.16%
Mr Gavin John Tiplady	430,677	0.39%
Mellon Nominees (UK) Limited	123,187	0.11%
Redmayne (Nominees) Limited P76449g	114,350	0.10%
Redmayne (Nominees) Limited F23293g	100,000	0.09%
Rock (Nominees) Limited	100,000	0.09%

CORPORATE DIRECTORY

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