

**Preliminary Final Report of *eServGlobal Limited* for the Financial  
Year Ended 30 June 2006**  
(ABN: 59 052 947 743)

*This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.*

|                            |                                    |
|----------------------------|------------------------------------|
| Current Reporting Period:  | Financial Year ending 30 June 2006 |
| Previous Reporting Period: | Financial Year ending 30 June 2005 |

## Results For Announcement to the Market For the Financial Year Ended 30 June 2006

### Commentary

Revenues have grown to \$95.463 million in FY06, from \$38.846 million in FY05.

EBITDA has grown to \$10.088 million, from \$3.905 million in FY05.

The acquisition of Ferma SA, completed on 1 November 2005, now means that we are delivering our products and services to over 70 telecoms carriers, with more than 120 million subscribers utilising those networks. eServGlobal has a customer reach and a product portfolio that we believe makes us the most significant independent supplier in the global telecommunications software industry.

### Revenue and Net Profit/(Loss)

|   |      | <b>Percentage<br/>Change</b> | <b>Amount<br/>\$'000</b> |
|---|------|------------------------------|--------------------------|
|   |      | %                            |                          |
| Revenue from ordinary activities                                      | up   | 146%                         | 95,463                   |
| Profit from ordinary activities after tax attributable to members (1) | down | -41%                         | 2,584                    |
| Net profit attributable to members (1)                                | down | -41%                         | 2,584                    |

(1) The comparatives have been adjusted to A-IFRS. Refer Note 12.

### Dividends (Distributions)

|   | <b>Amount per<br/>security</b> | <b>Franked amount per<br/>security</b> |
|---|--------------------------------|--|
| Final dividend  | 1.2                            | 1.2                                    |
| Interim dividend  | Nil                            | Nil                                    |
| Record date for determining entitlements to the dividend: |                                |  |
| · final dividend  | 17 Nov 2006                    |  |
| · interim dividend  | N/A                            |  |

eServGlobal Limited

**Income Statement**  
**For the Financial Year Ended 30 June 2006**

|  | <u>Note</u> | <u>2006</u><br><u>\$'000</u> | <u>2005</u><br><u>\$'000</u> |
|--|-------------|------------------------------|------------------------------|
| Sales revenue  |             | 95,004                       | 38,427                       |
| Cost of sales  |             | <u>(57,391)</u>              | <u>(21,681)</u>              |
| <b>Gross Profit</b>  |             | 37,613                       | 16,746                       |
| Other income from ordinary activities                                      |             | 459                          | 419                          |
| Sales and Marketing  |             | (11,513)                     | (6,604)                      |
| Administration expenses  |             | (21,598)                     | (8,084)                      |
| Borrowing costs  |             | <u>(489)</u>                 | <u>(2)</u>                   |
| <b>Profit From Ordinary Activities Before Income Tax Expense/(Benefit)</b> | 2           | 4,472                        | 2,475                        |
| Income tax expense/(benefit)   |             | <u>1,820</u>                 | <u>(1,908)</u>               |
| <b>Profit for the period</b>   |             | 2,652                        | 4,383                        |
| Profit attributable to minority interest                                   |             | 68                           | -                            |
| <b>Profit attributable to members of the parent entity</b>                 | 3           | <u>2,584</u>                 | <u>4,383</u>                 |
| <b>Earnings per share</b>  |             |                              |                              |
| Basic (cents per share)  | 8           | 1.7                          | 4.1                          |
| Diluted (cents per share)  | 8           | 1.7                          | 3.9                          |

eServGlobal Limited

**Balance Sheet**  
**As at 30 June 2006**

|                                      | Note | 2006<br>\$'000 | 2005<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current Assets</b>                |      |                |                |
| Cash and cash equivalents            |      | 7,471          | 11,742         |
| Trade and other receivables          |      | 71,366         | 14,140         |
| Inventories                          |      | 2,569          | -              |
| Current tax assets                   |      | 1,341          | 380            |
| <b>Total Current Assets</b>          |      | <b>82,747</b>  | <b>26,262</b>  |
| <b>Non-Current Assets</b>            |      |                |                |
| Property, plant and equipment        |      | 3,897          | 1,824          |
| Goodwill                             |      | 46,830         | 24,862         |
| Intangibles                          |      | 35,784         | -              |
| Deferred tax assets                  |      | 6,752          | 4,299          |
| Other                                |      | -              | -              |
| <b>Total Non-Current Assets</b>      |      | <b>93,263</b>  | <b>30,985</b>  |
| <b>Total Assets</b>                  |      | <b>176,010</b> | <b>57,247</b>  |
| <b>Current Liabilities</b>           |      |                |                |
| Payables                             |      | 22,775         | 6,173          |
| Borrowings                           |      | 2,000          | -              |
| Current tax liabilities              |      | -              | 51             |
| Provisions                           |      | 14,130         | 555            |
| Other                                |      | 11,684         | 1,404          |
| <b>Total Current Liabilities</b>     |      | <b>50,589</b>  | <b>8,183</b>   |
| <b>Non-Current Liabilities</b>       |      |                |                |
| Deferred tax liabilities             |      | 12,156         | 1,069          |
| Provisions                           |      | 1,288          | -              |
| <b>Total Non-Current Liabilities</b> |      | <b>13,444</b>  | <b>1,069</b>   |
| <b>Total Liabilities</b>             |      | <b>64,033</b>  | <b>9,252</b>   |
| <b>Net Assets</b>                    |      | <b>111,977</b> | <b>47,995</b>  |
| <b>Equity</b>                        |      |                |                |
| Issued Capital                       |      | 114,022        | 53,076         |
| Reserves                             | 4    | 1,769          | 236            |
| Accumulated Losses                   | 5    | (3,832)        | (5,317)        |
|                                      |      | <b>111,959</b> | <b>47,995</b>  |
| Parent Entity Interest               |      | 111,959        | -              |
| Minority Interest                    |      | 18             | -              |
| <b>Total equity</b>                  |      | <b>111,977</b> | <b>47,995</b>  |

**Statement of Cash Flows**  
**For the Financial Year Ended 30 June 2006**

|  | Note | 2006<br>\$'000  | 2005<br>\$'000 |
|--|------|-----------------|----------------|
| <b>Cash Flows From Operating Activities</b>                        |      |                 |                |
| Receipts from customers  |      | 85,582          | 33,099         |
| Payments to suppliers and employees                                |      | (81,120)        | (35,337)       |
| Interest received  |      | 459             | 419            |
| Interest and other costs of finance paid                           |      | (489)           | (2)            |
| Income tax (paid) / refunded                                       |      | (3,618)         | 15             |
| <b>Net cash provided by/(used in) operating activities</b>         | 6(d) | <b>814</b>      | <b>(1,806)</b> |
| <b>Cash Flows From Investing Activities</b>                        |      |                 |                |
| Payment for property, plant and equipment                          |      | (2,144)         | (1,253)        |
| Net cash outflow for acquisition of business                       | 6(b) | (63,654)        |                |
| <b>Net cash used in investing activities</b>                       |      | <b>(65,798)</b> | <b>(1,253)</b> |
| <b>Cash Flows From Financing Activities</b>                        |      |                 |                |
| Proceeds from issues of shares                                     |      | 62,696          | 855            |
| Payment for share issue costs                                      |      | (2,912)         | -              |
| Proceeds from borrowings   |      | 2,000           | -              |
| Dividends Paid   |      | (1,099)         | -              |
| <b>Net cash provided by financing activities</b>                   |      | <b>60,685</b>   | <b>855</b>     |
| Net Decrease In Cash Held  |      | (4,299)         | (2,204)        |
| Cash and Cash Equivalents At The Beginning Of The Financial        |      | 11,742          | 14,658         |
| Effects of rate changes on balances of cash in foreign currencies. |      | 28              | (712)          |
| <b>Cash and Cash Equivalents At The End</b>                        |      | <b>7,471</b>    | <b>11,742</b>  |
| <b>Of The Financial Year</b>                                       |      | <b>7,471</b>    | <b>11,742</b>  |

eServGlobal Limited

**Statement of recognised income and expense  
For the Financial Year Ended 30 June 2006**

|   | <u>Note</u> | <u>2006</u><br><u>\$'000</u> | <u>2005</u><br><u>\$'000</u> |
|---|-------------|------------------------------|------------------------------|
| Translation of foreign operations:                      |             |                              |                              |
| Exchange differences taken to equity                    | 4           | 1,274                        | -                            |
| Employee equity settled share based payments            | 4           | 336                          | 226                          |
| <b>Net income recognised directly in equity</b>         |             | <u>1,610</u>                 | <u>226</u>                   |
| <br>  |             |                              |                              |
| Profit for the year                                     |             | <u>2,652</u>                 | <u>4,383</u>                 |
| <br>  |             |                              |                              |
| <b>Total recognised income and expense for the year</b> |             | <u>4,262</u>                 | <u>4,609</u>                 |
| <br>  |             |                              |                              |
| Attributable to:  |             |                              |                              |
| Equity holders of the parent                            |             | 4,194                        | 4,609                        |
| Minority interest                                       |             | 68                           | -                            |
|   |             | <u>4,262</u>                 | <u>4,609</u>                 |

**Notes to the Financial Statements  
For the Financial Year Ended 30 June 2006**

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## Notes to the Financial Statements For the Financial Year Ended 30 June 2006

### 1. Basis of Preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX 4E.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with the Australian Equivalents to International Financial Reporting Standards. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in Note 12.

|  | <u>2006</u>   | <u>2005</u>   |
|--|---------------|---------------|
|  | <u>\$'000</u> | <u>\$'000</u> |
| <b>2. Profit from Operations</b>   |               |               |
| <b>(a) Revenue</b>   |               |               |
| Revenue from continuing operations consisted of the following items:   |               |               |
| Revenue from the sale of goods   | 48,101        | 10,270        |
| Revenue from the rendering of services   | <u>46,903</u> | <u>28,157</u> |
|  | <u>95,004</u> | <u>38,427</u> |
| <i>Interest revenue:</i>   |               |               |
| Bank deposits  | 309           | 419           |
| <i>Other Income</i>  |               |               |
|  | <u>150</u>    | <u>-</u>      |
|  | <u>459</u>    | <u>419</u>    |
|  | <u>95,463</u> | <u>38,846</u> |
| <b>(b) Profit before income tax</b>  |               |               |
| Profit before income tax has been arrived at after charging the following expenses from continuing operations: |               |               |
| Cost of sales  | 57,391        | 21,681        |
| Net foreign exchange (gains)/losses  | (95)          | 958           |
| Finance costs:   |               |               |
| Interest - Other entities  | 489           | 2             |
| Depreciation of non-current assets:  |               |               |
| Office furniture and fittings  | 230           | 42            |
| Leasehold improvements   | 14            | 5             |
| Plant and equipment  | <u>1,719</u>  | <u>794</u>    |
| Total Depreciation of non-current assets:  | <u>1,963</u>  | <u>841</u>    |
| Amortisation of Intangible assets:   |               |               |
| Customer Relationships and Software  | 3,164         | -             |
| Research and development costs   | -             | 597           |
| Operating lease rental expenses:   |               |               |
| Minimum lease payments   | 2,296         | 898           |
| Net loss on disposal of non-current assets:  |               |               |
| Plant and equipment  | 23            | 84            |
| Share-based payments:  |               |               |
| Equity settled share-based payments  | 336           | 226           |

Notes to the Financial Statements For the Financial Year Ended 30 June 2006

**3. Commentary on Result**

Revenue has grown to \$95.463 million in FY06, from \$38.846 million in FY05.

We delivered \$37.613 million of gross profit for the year, a 39.6% margin reflecting the new mix of revenues in the merged business, where a larger portion of predictable contracts now exists. However, the merger being now behind us, margin growth is one of our key objectives for coming years.

We achieved overall EBITDA margin of 10.6% (\$10.088 million) compared to 10.2% (\$3.905 million) in 2005. Synergies achieved from the acquisition allowed us to reduce sales and administration costs (before depreciation and amortisation) from 34.5% of revenue in 2005 to 29.5% in 2006.

Costs associated with the acquisition were responsible for a major reduction in our cash position in November. The uplift in business activity in the second half placed further demands on our cash. Despite this, we ended the year with \$5.471 million in net cash and we are confident that we will have strong positive cash flow in the 2007 fiscal year.

Earnings per share for the current year are 1.7 cents. Prior to the adoption of A-IFRS earnings per share reported in the prior year was 1.0 cents. Included in the comparative for 2005, now restated for A-IFRS, is a tax benefit arising from the recognition of future tax benefits relating to losses and withholding tax credits.

**4. Reserves**

Employee equity settled share based payments  
Foreign currency translation

|  | 2006<br>\$'000 | 2005<br>\$'000 |
|--|----------------|----------------|
|  | 495            | 236            |
|  | 1,274          | -              |
|  | <b>1,769</b>   | <b>236</b>     |

Employee equity settled share based payments reserve:

Balance at beginning of financial year  
Share options vesting in the year  
Transfer to share capital

|  |            |            |
|--|------------|------------|
|  | 236        | 15         |
|  | 336        | 226        |
|  | (77)       | (5)        |
|  | <b>495</b> | <b>236</b> |

**Balance at the end of the financial year**

Foreign currency translation reserve

Balance at beginning of financial year  
Translation of foreign operations

|  |              |          |
|--|--------------|----------|
|  | -            | -        |
|  | 1,274        | -        |
|  | <b>1,274</b> | <b>-</b> |

**Balance at the end of the financial year**

Exchange differences relating to the translation from EUR, being the functional currency of the eServGlobal SA group, into AUD are brought to account by entries made directly to the foreign currency translation reserve.

**5. Accumulated Losses**

Balance at beginning of the financial year.  
Net profit attributable to members of the parent entity  
Dividends paid (note 7)

|  |                |                |
|--|----------------|----------------|
|  | (5,317)        | (9,700)        |
|  | 2,584          | 4,383          |
|  | (1,099)        | -              |
|  | <b>(3,832)</b> | <b>(5,317)</b> |

**Balance at end of financial year**

Notes to the Financial Statements For the Financial Year Ended 30 June 2006

6. Notes to the cash flow statement

|  | 2006          | 2005    |
|--|---------------|---------|
|  | \$'000        | \$'000  |
| <b>a) Reconciliation of cash</b>   |               |         |
| For the purposes of the cash flow statement, cash and cash equivalents 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 balance sheet as follows: |               |         |
| Cash and cash equivalents  | 7,471         | 11,742  |
| <b>b) Business acquisition</b>   |               |         |
| During the financial year one business was acquired. Details of the acquisition are as follows:  |               |         |
| <b>Consideration</b>   |               |         |
| Cash and cash equivalents  | 63,654        | -       |
| Ordinary shares  | 1,085         | -       |
|  | <u>64,739</u> | -       |
| <b>Fair value of net assets acquired</b>   |               |         |
| <b>Current Assets</b>  |               |         |
| Cash and cash equivalents  | 646           | -       |
| Inventories  | 2,315         | -       |
| Trade Debtors (Net)  | 29,022        | -       |
| Sundry Debtors   | 3,822         | -       |
| Prepayments  | 753           | -       |
| <b>Non Current Assets</b>  |               |         |
| PP&E (Net)   | 1,897         | -       |
| Intangible Assets  | 40,303        | -       |
| Deferred tax asset   | 675           | -       |
| <b>Current Liabilities</b>   |               |         |
| Trade Creditors  | (9,542)       | -       |
| Accruals   | (2,159)       | -       |
| Deferred income  | (2,638)       | -       |
| Provision for Contract   | (2,784)       | -       |
| Provision for Tax  | (7,347)       | -       |
| <b>Non Current Liabilities</b>   |               |         |
| Deferred tax liability   | (12,193)      | -       |
| Fair Value of Nets assets acquired   | 42,770        | -       |
| Goodwill on acquisition  | 21,969        | -       |
|  | <u>64,739</u> | -       |
| <b>Net cash outflow on acquisition</b>   |               |         |
| Cash and cash equivalents consideration  |               |         |
| Less cash and cash equivalent balances acquired  | (646)         | -       |
| <b>c) Financing facilities</b>   |               |         |
| Secured bank loan facilities with a maturity date of 29 September 2006 and which may be extended by mutual agreement   |               |         |
| amount used  | 2,000         | -       |
| amount unused  | 3,000         | -       |
|  | <u>5,000</u>  | -       |
| <b>d) Reconciliation of profit for the year to net cash flows from operating activities</b>  |               |         |
| Profit for the year  | 2,652         | 4,383   |
| Depreciation of non-current assets   | 1,963         | 841     |
| Amortisation of non-current assets   | 3,164         | 597     |
| Loss on disposal of non-current assets   | 23            | 84      |
| Increase/(decrease) in income tax payable  | (2,905)       | (465)   |
| (Increase) in tax balances   | (1,528)       | (2,306) |
| Equity Settled Share-Based payments  | 259           | 226     |

**Notes to the Financial Statements For the Financial Year Ended 30 June 2006**

**d) Reconciliation of profit for the year to net cash flows from operating activities**

Changes in net assets and liabilities, net of effects from acquisition of businesses:

|  |            |                |
|--|------------|----------------|
| - (Increase)/decrease in assets:                             |            |                |
| - Current receivables  | (22,497)   | (3,525)        |
| - Other current assets                                       | (253)      | (3,754)        |
| Increase/(decrease) in liabilities:                          |            |                |
| - Current trade payables                                     | 4,830      | 2,694          |
| - Current provisions   | 6,228      | 141            |
| - Other current liabilities                                  | 7,590      | (722)          |
| - Non-current provisions                                     | 1,288      |                |
| <i>Net cash provided by / (used in) operating activities</i> | <u>814</u> | <u>(1,806)</u> |

**7. Details Relating to Dividends (Distributions)**

|  |      | <b>Date dividend payable</b> | <b>Amount per security</b> | <b>Franked amount per security</b> |
|--|------|------------------------------|----------------------------|------------------------------------|
|  |      |                              | <b>¢</b>                   | <b>¢</b>                           |
| Final dividend                                       | 2006 | 1 Dec 2006                   | 1.2                        | 1.2                                |
|  | 2005 | 26 Sept 2005                 | 1.0                        | 1.0                                |
| Interim dividend                                     | 2006 |                              | -                          | -                                  |
|  | 2005 |                              | -                          | -                                  |
| Record date for determining entitlements to the 2006 |      |                              |                            |                                    |
| Final dividend                                       |      | 17 Nov 2006                  |                            |                                    |
| Interim dividend                                     |      | N/A                          |                            |                                    |

The Directors have declared a final dividend of 1.2 cents per share payable on 1 December 2006, fully franked to entitled shareholders.

This dividend has not been recognised in this preliminary final report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2006.

Notes to the Financial Statements For the Financial Year Ended 30 June 2006

8. Earnings Per Share

|             | 2006        | 2005        |
|-------------|-------------|-------------|
|             | ¢ per share | ¢ per share |
| Basic EPS   | 1.7         | 4.1         |
| Diluted EPS | 1.7         | 3.9         |

**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:

|          | 2006   | 2005   |
|----------|--------|--------|
|          | \$'000 | \$'000 |
| Earnings | 2,584  | 4,383  |

|  | 2006        | 2005        |
|--|-------------|-------------|
|  | No. '000    | No. '000    |
| Weighted average number of ordinary shares | 149,312,814 | 108,060,463 |

**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:

|          | 2006   | 2005   |
|----------|--------|--------|
|          | \$'000 | \$'000 |
| Earnings | 2,584  | 4,383  |

|  | 2006        | 2005        |
|--|-------------|-------------|
|  | No. '000    | No. '000    |
| Weighted average number of ordinary shares and potential ordinary shares (a) | 151,404,085 | 111,102,293 |

(a) Weighted average number 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:

|   | 2006        | 2005        |
|---|-------------|-------------|
|   | No.         | No.         |
| Weighted average number of ordinary shares used in the calculation of basic EPS                                 | 149,312,814 | 108,060,463 |
| Shares deemed to be issued for no consideration in respect of employee options                                  | 2,091,271   | 3,041,830   |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS | 151,404,085 | 111,102,293 |

9. Net Tangible Assets Per Security

|                                  | 2006  | 2005  |
|----------------------------------|-------|-------|
|                                  | cents | cents |
| Net tangible assets per security | 24    | 16    |

Notes to the Financial Statements For the Financial Year Ended 30 June 2006

**10. Details of Controlled Entities Acquired**

**Control gained over entities**

|                     |  |
|---------------------|--|
| Name of Entity      | eServGlobal SA Group (formerly Ferma SA Group) |
| Date control gained | 1 November 2005                                |

|  |               |
|--|---------------|
|  | <b>2,006</b>  |
|  | <b>\$'000</b> |
| <hr/>  |               |
| Contribution of controlled entity (or group of entities) to profit from ordinary activities during the period, from the date of gaining control. | 6,633         |
|  | <b>2,005</b>  |
|  | <b>\$'000</b> |
| <hr/>  |               |
| Net profit of the controlled entity (or group of entities) for the whole of the previous corresponding period                                    | N/A           |

**11. Segment Information**

**Segment Revenues**

**Geography**

|                                 |               |               |   |              |               |               |
|---------------------------------|---------------|---------------|---|--------------|---------------|---------------|
| Asia Pacific                    | 9,610         | 13,681        | - | 1,799        | 9,610         | 15,480        |
| Europe                          | 85,544        | 24,746        | - | -            | 85,544        | 24,746        |
| Americas                        |               |               |   |              |               |               |
| <b>Total of all geographies</b> | <b>95,154</b> | <b>38,427</b> |   | <b>1,799</b> | <b>95,154</b> | <b>40,226</b> |

|                    |  |  |  |  |            |            |
|--------------------|--|--|--|--|------------|------------|
| Eliminations       |  |  |  |  | -          | (1,799)    |
| <b>Unallocated</b> |  |  |  |  | <b>309</b> | <b>419</b> |

|                     |  |  |  |  |               |               |
|---------------------|--|--|--|--|---------------|---------------|
| <b>Consolidated</b> |  |  |  |  | <b>95,463</b> | <b>38,846</b> |
|---------------------|--|--|--|--|---------------|---------------|

**Segment Results**

The group does not capture information based on customer geographies, therefore segment revenue has been calculated based on the geographical location of the group company deriving the revenue. The geographical location of the customer from whom the revenue is generated may not correspond to this information.

## Notes to the Financial Statements For the Financial Year Ended 30 June 2006

**12. Impacts of Adoption of Australian Equivalents to International Financial Reporting Standards**

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS').

The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's balance sheet, income statement and cash flows is set out in the following tables and the notes that accompany the tables.

**Effect of A-IFRS on the balance sheet as at 1 July 2004**

|                                      | <b>Consolidated</b>                               |   |                          |
|--------------------------------------|---|---|--------------------------|
|                                      | <b>Super-<br/>seded<br/>policies *<br/>\$'000</b> | <b>Effect of<br/>transition<br/>A-IFRS<br/>\$'000</b> | <b>A-IFRS<br/>\$'000</b> |
| <b>CURRENT ASSETS</b>                |   |   |                          |
| Cash and cash equivalents            | 14,658  | -   | 14,658                   |
| Trade and other receivables          | 7,716   | -   | 7,716                    |
| <b>TOTAL CURRENT ASSETS</b>          | <b>22,374</b>                                     | <b>-</b>  | <b>22,374</b>            |
| <b>NON-CURRENT ASSETS</b>            |   |   |                          |
| Other financial assets               | -   | -   | -                        |
| Property, plant and equipment        | 1,496   | -   | 1,496                    |
| Goodwill                             | 24,861  | -   | 24,862                   |
| Other non-current assets             | 598   | 1,696   | 2,294                    |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>26,955</b>                                     | <b>1,696</b>  | <b>28,651</b>            |
| <b>TOTAL ASSETS</b>                  | <b>49,329</b>                                     | <b>1,696</b>  | <b>51,025</b>            |
| <b>CURRENT LIABILITIES</b>           |   |   |                          |
| Trade and other payables             | 4,938   | -   | 4,938                    |
| Interest bearing liabilities         | -   | -   | -                        |
| Current tax payables                 | 142   | -   | 142                      |
| Provisions                           | 412   | -   | 412                      |
| Other                                | 2,230   | -   | 2,230                    |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>7,722</b>                                      | <b>-</b>  | <b>7,722</b>             |
| <b>NON-CURRENT LIABILITIES</b>       |   |   |                          |
| Deferred tax liabilities             | -   | 772   | 772                      |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>-</b>  | <b>772</b>  | <b>772</b>               |
| <b>TOTAL LIABILITIES</b>             | <b>7,722</b>                                      | <b>772</b>  | <b>8,494</b>             |
| <b>NET ASSETS</b>                    | <b>41,607</b>                                     | <b>924</b>  | <b>42,531</b>            |
| <b>EQUITY</b>                        |   |   |                          |
| Issued capital                       | 52,216  | -   | 52,216                   |
| Reserves                             | -   | 15  | 15                       |
| Retained earnings                    | (10,609)  | 909   | (9,700)                  |
| <b>TOTAL EQUITY</b>                  | <b>41,607</b>                                     | <b>924</b>  | <b>42,531</b>            |

\* Reported financial position under previous Australian GAAP

## Notes to the Financial Statements For the Financial Year Ended 30 June 2006

## Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

|   | Consolidated                       |   |                  |
|---|------------------------------------|---|------------------|
|   | Super-seded<br>Policies*<br>\$'000 | Effect of<br>Transition to A-<br>IFRS<br>\$'000 | A-IFRS<br>\$'000 |
| Revenue   | 38,427                             | -   | 38,427           |
| Cost of sales   | (21,681)                           | -   | (21,681)         |
| <i>Gross profit</i>   | 16,746                             | -   | 16,746           |
| Other income  | 419                                | -   | 419              |
| Sales and marketing expenses                                    | (6,604)                            | -   | (6,604)          |
| Administration expenses   | (7,858)                            | (226)   | (8,084)          |
| Corporate Expenses  | (1,571)                            | 1,571   | -                |
| Finance costs   | (2)                                | -   | (2)              |
| Profit/(loss) from ordinary activities before income tax        | 1,130                              | 1,345   | 2,475            |
| Income tax benefit/(expense) related to ordinary activities     | (18)                               | 1,926   | 1,908            |
| Profit/(loss) from ordinary activities after related income tax | 1,112                              | 3,271   | 4,383            |

\* Reported financial position under previous Australian GAAP

## Notes to the Financial Statements For the Financial Year Ended 30 June 2006

Effect of A-IFRS on the balance sheet as at 30 June 2005

|                                      | Consolidated                       |   |                  |
|--------------------------------------|------------------------------------|---|------------------|
|                                      | Superseded<br>policies *<br>\$'000 | Effect of<br>transition<br>A-IFRS<br>\$'000 | A-IFRS<br>\$'000 |
| <b>CURRENT ASSETS</b>                |                                    |   |                  |
| Cash and cash equivalents            | 11,742                             | -   | 11,742           |
| Trade and other receivables          | 14,140                             | -   | 14,140           |
| Current tax assets                   | 380                                | -   | 380              |
| <b>TOTAL CURRENT ASSETS</b>          | <b>26,262</b>                      | <b>-</b>                                    | <b>26,262</b>    |
| <b>NON-CURRENT ASSETS</b>            |                                    |   |                  |
| Other financial assets               | -                                  | -   | -                |
| Property, plant and equipment        | 1,824                              | -   | 1,824            |
| Goodwill                             | 23,291                             | 1,571                                       | 24,862           |
| Deferred tax assets                  | 380                                | 3,919                                       | 4,299            |
| Other non-current assets             | -                                  | -   | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>25,495</b>                      | <b>5,490</b>                                | <b>30,985</b>    |
| <b>TOTAL ASSETS</b>                  | <b>51,757</b>                      | <b>5,490</b>                                | <b>57,247</b>    |
| <b>CURRENT LIABILITIES</b>           |                                    |   |                  |
| Trade and other payables             | 6,173                              | -   | 6,173            |
| Interest bearing liabilities         | -                                  | -   | -                |
| Current tax payables                 | 51                                 | -   | 51               |
| Provisions                           | 555                                | -   | 555              |
| Other                                | 1,404                              | -   | 1,404            |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>8,183</b>                       | <b>-</b>                                    | <b>8,183</b>     |
| <b>NON-CURRENT LIABILITIES</b>       |                                    |   |                  |
| Deferred tax liabilities             | -                                  | 1,069                                       | 1,069            |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>-</b>                           | <b>1,069</b>                                | <b>1,069</b>     |
| <b>TOTAL LIABILITIES</b>             | <b>8,183</b>                       | <b>1,069</b>                                | <b>9,252</b>     |
| <b>NET ASSETS</b>                    | <b>43,574</b>                      | <b>4,421</b>                                | <b>47,995</b>    |
| <b>EQUITY</b>                        |                                    |   |                  |
| Issued capital                       | 53,071                             | 5   | 53,076           |
| Reserves                             | -                                  | 236   | 236              |
| Retained earnings                    | (9,497)                            | 4,180                                       | (5,317)          |
| <b>TOTAL EQUITY</b>                  | <b>43,574</b>                      | <b>4,421</b>                                | <b>47,995</b>    |

\* Reported financial position under previous Australian GAAP

**Notes to the Financial Statements For the Financial Year Ended 30 June 2006**

**Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005**

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies

**Notes to the reconciliations of income and equity**

**(a) Share based payments**

For the year ended 30 June 2005 share based payments of \$226 thousand (included in administration expenses) which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

These adjustments had no material tax or deferred tax consequences.

**(b) Income Tax**

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect of the above adjustments on the deferred tax balances are as follows:

|   | <b>Consolidated</b> |                  |
|---|---------------------|------------------|
|   | <b>01-Jul-04</b>    | <b>30-Jun-05</b> |
|   | <b>\$'000</b>       | <b>\$'000</b>    |
| Deferred tax not recognised under superseded policies | 924                 | 1,926            |
| Net increase/(decrease) in deferred tax balances      | <u>924</u>          | <u>1,926</u>     |

The effect on the consolidated profit for the year ended 30 June 2005 was to decrease previously reported income tax expense by \$1,926 thousand.

**(c) Goodwill**

The consolidated entity has elected not to restate business combinations that occurred prior to the date of transition to A-IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. In addition, goodwill arising from these business combinations that involved the acquisition of foreign businesses will be treated as an Australian dollar denominated asset.

However, goodwill, which was amortised under superseded policies, is not amortised under A-IFRS from the date of transition. The effect of the change in an increase in the carrying amount of goodwill by \$1,571 thousand and an increase in net profit before tax of \$1,571 thousand for the financial year ended 30 June 2005. There is no deferred tax effect as deferred taxes are not recognised for temporary differences arising from goodwill for which amortisation is not deductible for tax purposes.

**(d) Retained earnings**

The effect of the above adjustments on retained earnings is as follows:

|  | Note | <b>Consolidated</b> |                  |
|--|------|---------------------|------------------|
|  |      | <b>01-Jul-04</b>    | <b>30-Jun-05</b> |
|  |      | <b>\$'000</b>       | <b>\$'000</b>    |
| Share based payments                       | a    | (15)                | (241)            |
| Deferred tax assets/liabilities recognised | b    | 924                 | 2,850            |
| Goodwill no longer amortised               | c    | -                   | 1,571            |
| Total adjustment to retained earnings      |      | <u>909</u>          | <u>4,180</u>     |

**Notes to the Financial Statements For the Financial Year Ended 30 June 2006**

**13. 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.

**14. Other Significant Information**

This report must be read in conjunction with all other documents issued contemporaneously.

**15. Information on Audit or Review**

The Appendix 4E Preliminary Financial Report is based upon accounts which are in the process of being audited.