

# Appendix 4D

## eServGlobal Limited

ABN 59 052 947 743

### Financial Report and Appendix 4D For the half-year ended 31 December 2005

*The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2005 annual financial report.*

# Financial Report and Appendix 4D For the Half Year Ended 31 December 2005

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**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

**Results for announcement to the market**

<b>Results</b>				<b>A\$ '000</b>
Revenues	Up	87%	to	32,711
Profit after tax attributable to members (after AIFRS adjustments to 2004 comparative)	Down	85%	to	192
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
<i>Current period</i>				
Interim dividend declared		Nil ¢		-%
Final dividend paid		1 ¢		100%
<i>Previous corresponding period</i>				
Interim dividend declared		Nil ¢		-%
Final dividend paid		Nil ¢		-%
Record date for determining entitlements to the dividend.	N/A			

**Brief explanation of revenue, net profit and dividends (distributions).**

On 1 November 2005 the consolidated entity completed the acquisition of the France based Ferma SA group for a total cost of \$A64.7 million. This acquisition, which was primarily funded by share placements which raised about \$A60million (net), more than doubled the size of the consolidated entity. The eServGlobal SA (ex Ferma SA) group contributed to the consolidated result in the last two months of the first half.

The consolidated entity achieved sales revenue for the period of \$32.711million (2004 \$17.446million) – an increase of 87%. The gross profit realised was \$11.040million (34%) (2004 \$7.826million (45%)). EBITDA for the period was \$1.690million (2004 EBITDA \$1.187million, after AIFRS adjustments)

The net result of the consolidated entity for the half year ended 31 December 2005 was a profit before tax of \$896,000 (2004: \$787,000). Income tax expense was \$719,000 (2004 \$474,000, after AIFRS adjustments) resulting in a profit after tax and minorities for the period of \$192,000 (2004 \$313,000, after AIFRS adjustments).

The operating cash flow for the period was a net inflow of \$1.317million. Net cash at 31 December 2005 was \$9.650million.

**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

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**Directors' Report**

The directors of eServGlobal Limited submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Directors**

The names of the directors of the company during or since the end of the half year period are:

Ian Buddery	Executive Chairman
Roger Agniel	Chief Executive Officer (appointed Executive Director 23 November 2005)
Patrick McGrory	Executive Director
François Barrault	Non Executive Director
Graham Libbesson	Non Executive Director
Jim Pratt	Non Executive Director
David Smart	Non Executive Director

**Review of Operations**

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

eServGlobal Limited is a public company listed on the Australian Stock Exchange and the London Stock Exchange (AIM). With its Head Office in Sydney, Australia, the eServGlobal group has operations throughout the world.

On 1 November 2005, eServGlobal completed the acquisition of the France based Ferma SA group for \$A64.7 million. This acquisition, which was primarily funded by placements which raised about \$A60 million (net), more than doubled the size of eServGlobal.

The acquisition of Ferma was complementary to eServGlobal's global operations. eServGlobal (LSE: ESG & ASX:ESV) specialises in enhanced multimedia communication services and real-time multi-networks control solutions. Our systems enable Service Providers to maximize today's proven revenue streams whilst ensuring service continuity and new revenue opportunities when evolving to next generation networks.

eServGlobal solutions are designed for use in all types of networks from fixed to mobile to NGN/IMS. eServGlobal provides cost-effective and reliable multimedia messaging delivery from voice to video mail; from SMS routing, antispam control and value-added services to instant messaging and presence services. eServGlobal delivers the most advanced prepaid top-up methods and real-time rating enabling innovative marketing and prepaid-postpaid convergence

eServGlobal has operations worldwide. More than 75 Service Providers in over 50 countries are taking advantage of our advanced solutions and multi-network expertise to successfully address their business challenges.

In addition to its Sydney office, the group has offices in Paris (France), Wellington (NZ), Hong Kong, Ipswich (UK), Brussels (Belgium), the Netherlands, Denmark, India, Egypt, Singapore, Indonesia, Beijing, Romania and Poland.

**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

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The net result of the consolidated entity for the half year ended 31 December 2005 was a profit before tax of \$896,000 (2004 \$787,000). Income tax expense was \$719,000 (2004 \$474,000 benefit, after AIFRS adjustments) resulting in a profit after tax and minorities for the period of \$192,000 (2004 \$313,000, after IFRS adjustments).

The operating cash flow for the period was a net inflow of \$1.317million. Net cash at 31 December 2005 was \$9.650million.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 4, of the half-year 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, unless otherwise indicated.

Signed in accordance with a resolution of the directors, made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors

Ian Buddery

Executive Chairman

London, 20 February 2006

The Board of Directors  
eServGlobal Limited  
10 Spring Street  
Sydney NSW 2000

20 February 2006

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 eServGlobal Limited.

As lead audit partner for the review of the financial statements of eServGlobal Limited for the six month financial period ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Catherine Hill  
Partner

## Independent review report to the members of eServGlobal Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 31 December 2005 as set out on pages 7 to 27. The consolidated entity comprises both eServGlobal Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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.

#### *Review Approach*

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

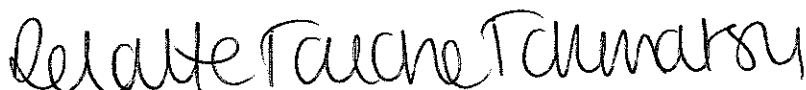
**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

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**Statement**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at eServGlobal Limited and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



Catherine Hill  
Partner  
Chartered Accountants  
Sydney, 20 February 2006

**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

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**Directors' Declaration**

The directors of eServGlobal Limited declare that:

- a) in the directors' opinion there are reasonable grounds to believe the disclosing entity Company will be able to pay its debts as and when they become due and payable; and
- 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

Ian Buddery

Executive Chairman

London, 20 February 2006

**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

**Consolidated Income Statement**  
**For The Half-Year Ended 31 December 2005**

	Note	Consolidated	
		Half-Year Ended 31 December 2005 \$'000	Half-Year Ended 31 December 2004 \$'000
<i>Sales revenue</i>		32,711	17,446
<i>Cost of sales</i>		(21,671)	(9,620)
<b><i>Gross profit</i></b>		<b>11,040</b>	<b>7,826</b>
Other revenue from ordinary activities		193	223
Sales and marketing expenses		(4,747)	(3,213)
Administration expenses		(5,533)	(4,048)
Borrowing costs		(57)	(1)
<b><i>Profit from ordinary activities before income tax expense</i></b>	<b>2</b>	<b>896</b>	<b>787</b>
Income tax (expense)/benefit relating to ordinary activities		(719)	(474)
<b><i>Net Profit</i></b>		<b>177</b>	<b>313</b>
Profit attributable to minority interest		(15)	-
<b>Profit attributable to members of the parent entity</b>		<b>192</b>	<b>313</b>
<b><i>Earnings per share:</i></b>			
Basic (cents per share)		0.1	0.3
Diluted (cents per share)		0.1	0.3

Notes to the Financial Statements are included on pages 12 to 27

**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

**Consolidated Balance Sheet**  
**As At 31 December 2005**

	Note	Consolidated	
		31 December 2005 \$'000	30 June 2005 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		10,650	11,742
Trade and other receivables		46,718	14,140
Inventories		2,493	
Current tax assets		14	380
<b>Total Current Assets</b>		<b>59,875</b>	<b>26,262</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		3,961	1,824
Goodwill & Intangibles	6	71,129	24,862
Deferred tax assets		5,451	4,299
<b>Total Non-Current Assets</b>		<b>80,541</b>	<b>30,985</b>
<b>Total Assets</b>		<b>140,416</b>	<b>57,247</b>
<b>Current Liabilities</b>			
Trade and other payables		20,801	6,173
Borrowings		1,000	-
Current tax payables		40	51
Provisions		7,320	555
Other	3	2,139	1,404
<b>Total Current Liabilities</b>		<b>31,300</b>	<b>8,183</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		1,472	1,069
<b>Total Non-Current Liabilities</b>		<b>1,472</b>	<b>1,069</b>
<b>Total Liabilities</b>		<b>32,772</b>	<b>9,252</b>
<b>Net Assets</b>		<b>107,644</b>	<b>47,995</b>
<b>Equity</b>			
Issued Capital	7	113,708	53,071
Reserves	8	464	241
Retained earnings		(6,436)	(5,317)
		107,736	47,995
Parent Entity Interest		107,736	47,995
Minority Interest		(92)	-
<b>Total Equity</b>		<b>107,644</b>	<b>47,995</b>

Notes to the Financial Statements are included on pages 12 to 27

**eServGlobal Limited**  
**Half year ended**  
**31 December 2005**

**Consolidated Statement of Recognised Income and Expense**  
**For The Half-Year Ended 31 December 2005**

	<b>Consolidated</b>	
	<b>Half-year ended 31 December 2005 \$'000</b>	<b>Half-year ended 31 December 2004 \$'000</b>
<b>Note</b>		
Translation of foreign operations:		
Exchange differences taken to equity	152	-
Employee equity-benefit reserve	312	241
<b>Net income recognised directly in equity</b>	<b>464</b>	<b>241</b>
Profit/(loss) for the period	177	313
<b>Total recognised income and expense for the period</b>	<b>641</b>	<b>554</b>
Attributable to:		
Equity holders of the parent	656	554
Minority interest	(15)	-
	<b>641</b>	<b>554</b>

Notes to the Financial Statements are included on pages 12 to 27

**eServGlobal Limited**  
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**Consolidated Cash Flow Statement**  
**For The Half-Year Ended 31 December 2005**

	Consolidated	
	Half-Year Ended 31 December 2005 \$'000	Half-Year Ended 31 December 2004 \$'000
Note	\$'000	\$'000
<b><i>Cash Flows from Operating Activities</i></b>		
Receipts from customers	33,417	12,919
Payments to suppliers and employees	(31,231)	(17,373)
Interest received	193	223
Interest and other costs of finance paid	(58)	(1)
Income tax paid	(4)	(39)
Net cash provided/(used in) by operating activities	2,317	(4,271)
<b><i>Cash Flows From Investing Activities</i></b>		
Payment for property, plant and equipment	(838)	(462)
Payment for business	(63,007)	-
Proceeds from sale of property, plant and equipment	7	-
Net cash used in investing activities	(63,838)	(462)
<b><i>Cash Flows From Financing Activities</i></b>		
Proceeds from issues of equity securities	62,954	839
Payment for share issue costs	(2,809)	-
Proceeds from borrowings	1,000	-
Dividends paid to members of parent company	(1,099)	-
Net cash provided by financing activities	60,046	839
<b><i>Net (Decrease)/Increase In Cash Held</i></b>	(2,475)	(3,894)
<b><i>Cash At The Beginning Of The Half-Year</i></b>	11,742	14,658
Effects of exchange rate changes on the balance of cash held in foreign currencies	383	(45)
<b><i>Cash At The End Of The Half-Year</i></b>	10,650	10,719

Notes to the Financial Statements are included on pages 12 to 27

**eServGlobal Limited**  
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**31 December 2005**

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## **1. Summary of accounting policies**

### ***Basis of preparation***

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with 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 financial position, financial performance and cash flows is discussed in note 8.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 9), the consolidated entity's date of transition.

#### **(a) Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

#### **(b) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### **(c) Employee benefits**

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

## **1. Summary of accounting policies (continued)**

Provisions made in respect of employee benefits 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 employee benefits 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 reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

### *(d) Financial assets*

#### **Investments**

Investments in subsidiaries are measured at cost.

#### **Loans and receivables**

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

### *(e) Financial instruments issued by the company*

#### **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.

### *(f) Foreign currency*

#### **Foreign currency transactions**

All foreign currency transactions arising during the financial half-year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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

#### **Foreign operations**

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

## **1. Summary of accounting policies (continued)**

### **(g) 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 cash flow statement 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 authority is classified as operating cash flows.

### **(h) Goodwill**

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired.

Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(i).

### **(i) Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

## **1. Summary of accounting policies (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **(j) Income tax**

#### **Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### **Deferred tax**

Deferred tax is accounted for using the comprehensive 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 the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

**eServGlobal Limited**  
**Half year ended**  
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**1. Summary of accounting policies (continued)**

**Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**Tax consolidation**

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. eServGlobal Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

**(k) Interest and dividends**

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

**(l) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**(m) Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

**eServGlobal Limited**  
**Half year ended**  
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**1. Summary of accounting policies (continued)**

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Lease incentives**

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(n) Payables**

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.

**(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 subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary 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.

## **1. Summary of accounting policies (continued)**

### ***(q) Property, plant and equipment***

Plant and equipment, office furniture and fittings, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

### ***(r) 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 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### ***(s) Research and development costs***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### ***(t) Revenue recognition***

#### **Sale of Goods and Licences**

Revenue from the sale of goods and licences is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

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**1. Summary of accounting policies (continued)**

**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.

Where a loss is expected to occur it is recognised immediately and a provision is made in relation to any future work on the contract.

**Revenue from Support, Maintenance and Facilities Management Agreements**

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

*(u) Share-based payments*

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 July 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

**2. Unusual Transactions**

Profit includes the following items of expense:

	<b>Consolidated</b>	
	<b>Half Year ended</b>	<b>Half-Year Ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Costs incurred for listing on London Stock Exchange AIM market.	-	587
	-	587
	-	587

**3. Other Current Liabilities**

Deferred income	2,139	1,404
	2,139	1,404

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**4. Dividends**

	Half Year ended 31 December 2005		Half Year ended 31 December 2004	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
<i>Recognised amounts</i>				
Final dividend paid in respect of prior financial year	1.0	1,099	-	-

**5. Segment Information**

The consolidated entity operates in one industry, the IT industry, and in the following geographical segments:

Information on Geographical Segments (primary reporting format)

**Segment Revenues**

GEOGRAPHICAL	EXTERNAL SALES		INTER SEGMENT		TOTAL	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asia Pacific	6,282	4,083	834	629	7,116	4,712
Europe	25,595	12,734	-	-	25,595	12,734
<b>Total of all geographies</b>					<b>32,711</b>	<b>17,446</b>
Unallocated					193	223
<b>Consolidated</b>					<b>32,904</b>	<b>17,669</b>

**Segment Results**

	2005	2004
	\$'000	\$'000
Asia Pacific (i) (see below)	(162)	1,674
Europe	735	647
<b>Total of all geographies</b>	<b>573</b>	<b>2,321</b>
Unallocated (i)	323	(1,534)
<b>Profit / (loss) from ordinary activities before income tax expense</b>	<b>896</b>	<b>787</b>
Income tax (expense)/benefit relating to ordinary activities	(719)	(474)
<b>Net Profit</b>	<b>177</b>	<b>313</b>

(i) 2004 unallocated includes costs associated with the AIM listing of \$587 thousand

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**6. Acquisition of businesses**

Names of businesses acquired	Principal Activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
<b>2005:</b>				
Ferma SA	Global provider of telecommunications value added services software	1 November 2005	100%	64,707

The cost of acquisition comprises cash (\$63,622 thousand) and ordinary shares (\$1,085 thousand – based on the market price of the shares as at the date of the transaction). The number of ordinary shares issued amounted to 994,639. The consolidated entity has paid a premium for Ferma SA as it believes the acquisitions will introduce additional synergies to its existing operations.

Included in the net profit for the period is \$1,838 thousand attributable to the additional business generated by Ferma SA. Had this business combination been effected at 1 July 2005, the directors have estimated, based upon unaudited management accounts, that revenue of the consolidated entity would be \$57,624 thousand and net profit \$1,994 thousand.

The initial accounting for the business combination, involving the identification and determination of the fair value to be assigned to the Ferma SA identified assets, liabilities and contingent liabilities and the cost of the combination have been determined provisionally and will be finalised in conjunction with the full year financial report for 30 June 2006.

The amounts disclosed below are based on the carrying amounts of the identifiable assets and liabilities as recorded in the books of the acquirer at the date of the acquisition.

	<b>Ferma SA</b>
	<b>Provisional Fair value on acquisition \$'000</b>
<b>Net assets acquired</b>	
<b>Current Assets</b>	
Cash at Bank & on Deposit	646
Inventories	2,315
Trade Debtors (Net)	30,051
Sundry Debtors	3,822
Prepayments	753
<b>Non Current Assets</b>	
PP&E (Net)	2,041
FITB	675
<b>Current Liabilities</b>	
Trade Creditors	(9,619)
Accruals	(2,159)
Deferred income	(2,638)
Provision for Tax	(7,347)
<b>Non Current Liabilities</b>	
DITL	(102)

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	18,439
Goodwill & intangibles	46,268
	64,707

**7. Issued Capital**

	<b>Consolidated</b>	
	<b>31 December 2005 \$'000</b>	<b>30 June 2005 \$'000</b>
169,271,479 fully paid ordinary shares (30 June 2005: 109,800,035)	113,708	53,071
	<b>No.</b>	<b>No.</b>
<b>Fully Paid Ordinary Shares</b>		
Balance at the beginning of half-year	109,880	105,344
Issued in the half-year	59,391	4,456
Balance at the end of half-year	169,271	109,800

To finance the business combination the entity issued 58,203,663 ordinary shares. The costs of issuing such shares amounted to \$2,215 thousand. In addition, in accordance with the executive and employee share option plan employees are entitled to purchase shares in the company. The exercise of such share options in the period resulted in the ordinary share capital increasing by 1,187,781.

	<b>31 December 2005</b>		<b>30 June 2005</b>	
	<b>No. '000</b>	<b>\$ '000</b>	<b>No. '000</b>	<b>\$ '000</b>
<b>Fully Paid Ordinary Shares</b>				
Balance at the beginning of financial year	109,800	53,071	105,344	52,216
Shares issued in the period	59,391	63,445	4,456	855
Share issue costs	-	(2,808)	-	-
Balance at the end of financial year	169,271	114,020	109,800	53,312

**8. Reserves**

	<b>31 December 2005 \$'000</b>	<b>30 June 2005 \$'000</b>
Employee equity-benefit	312	241
Foreign currency translation	152	-
	464	241

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**9. Impacts of the 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 financial position, financial performance 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**

	Note	Superseded policies * \$'000	Effect of transition A-IFRS \$'000	A-IFRS \$'000
<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>				
Property, plant and equipment		1,496	-	1,496
Intangibles		24,861	-	24,861
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
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 for the financial year ended 1 July 2004 under previous Australian GAAP

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**9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)**

**Effect of A-IFRS on the balance sheet as at 31 December 2004 and 30 June 2005**

	31 December 2004			30 June 2005			
	Note	Superseded policies * \$'000	Effect of transition A-IFRS \$'000	A-IFRS \$'000	Superseded policies * \$'000	Effect of transition A-IFRS \$'000	A-IFRS \$'000
<b>CURRENT ASSETS</b>							
Cash and cash equivalents		10,719	-	10,719	11,742	-	11,742
Trade and other receivables		12,133	-	12,133	14,140	-	14,140
Current tax assets		-	-	-	380	-	380
<b>TOTAL CURRENT ASSETS</b>		22,852	-	22,852	26,262	-	26,262
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment		1,528	-	1,528	1,824	-	1,824
Intangibles		24,076	786	24,862	23,291	1,571	24,862
Deferred tax assets		-	1,418	1,418	380	3,919	4,299
Other non-current assets		402	-	402	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		26,006	2,204	28,210	25,495	5,490	30,985
<b>TOTAL ASSETS</b>		48,858	2,204	51,062	51,757	5,490	57,247
<b>CURRENT LIABILITIES</b>							
Trade and other payables		4,466	-	4,466	6,173	-	6,173
Current tax payables		171	-	171	51	-	51
Provisions		389	-	389	555	-	555
Other		1,355	-	1,355	1,404	-	1,404
<b>TOTAL CURRENT LIABILITIES</b>		6,381	-	6,381	8,183	-	8,183
<b>NON-CURRENT LIABILITIES</b>							
Deferred tax liabilities		-	855	855	-	1,069	1,069
<b>TOTAL NON-CURRENT LIABILITIES</b>		-	855	855	-	1,069	1,069
<b>TOTAL LIABILITIES</b>		6,381	855	7,266	8,183	1,069	9,252
<b>NET ASSETS</b>		42,477	1,319	43,796	43,574	4,421	47,995
<b>EQUITY</b>							
Issued capital		53,055	-	53,055	53,071	-	53,071
Reserves		-	128	128	-	241	241
Retained earnings		(10,578)	1,191	(9,387)	(9,497)	4,180	(5,317)
<b>TOTAL EQUITY</b>		42,477	1,319	43,796	43,574	4,421	47,995

\* Reported financial position under previous Australian GAAP

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**9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)**

**Effect of A-IFRS on the income statement for the half-year ended 31 December 2004 and the financial year ended 30 June 2005**

	Half –Year Ended 31 December 2004			Financial Year Ended 30 June 2005			
	Note	Superseded Policies* \$'000	Effect of Transition to A-IFRS \$'000	A-IFRS \$'000	Superseded Policies* \$'000	Effect of Transition to A-IFRS \$'000	A-IFRS \$'000
Revenue		17,446	-	17,446	38,427	-	38,427
Expenses		(9,620)	-	(9,620)	(21,681)	-	(21,681)
<b>Gross profit</b>		7,826	-	7,826	16,746	-	16,746
Other revenue from ordinary activities		223	-	223	419	-	419
Sales & Marketing Expenses		(3,213)	-	(3,213)	(6,604)	-	(6,604)
Administration expenses		(3,935)	(113)	(4,048)	(7,858)	(226)	(8,084)
Corporate Expenses		(786)	786	-	(1,571)	1,571	-
Borrowing costs		(1)	-	(1)	(2)	-	(2)
<b>Profit/(loss) from ordinary activities before income tax</b>		114	673	787	1,130	1,345	2,475
Income tax benefit/(expense) related to ordinary activities		(83)	(391)	(474)	(18)	1,926	1,908
<b>Profit/(loss) from ordinary activities after related income tax</b>		31	282	313	1,112	3,271	4,383

\* Reported financial results under previous Australian GAAP

**Effect on 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.

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**9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)**

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

**(a) Share based payments**

For the half year ended 31 December 2004 and for the financial year ended 30 June 2005, share based payments of \$113 thousand and \$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>1 July 2004</b>	<b>31 Dec 2004</b>	<b>30 June 2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax not recognised under previous GAAP	924	391	1,926
Net increase/(decrease) in deferred tax balances	924	391	1,926

The effect on the consolidated profit for the half-year ended 31 December 2004 and the financial year ended 30 June 2005 was to increase (decrease) previously reported income tax expense by \$391 thousand and \$1,926 thousand respectively.

**(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 \$786 thousand and an increase in net profit before tax of \$786 thousand for the half-year ended 31 December 2004, and 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.

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**9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (continued)**

**(d) Retained earnings**

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

		<b>Consolidated</b>		
	<b>Note</b>	<b>1 July 2004</b>	<b>31 Dec 2004</b>	<b>30 June 2005</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Share based payments	a	(15)	(128)	(241)
Deferred tax assets/liabilities recognised	b	924	533	2,850
Goodwill no longer amortised	c	-	786	1,571
Total adjustment to retained earnings		<u>909</u>	<u>1,191</u>	<u>4,180</u>

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**Other information required to be given to ASX under listing rule 4.2A.3**

Net tangible assets per security	Current period	Previous corresponding period
Net tangible assets per security	20.1cents	16.4 cents

**Details of entities over which control has been gained or lost during the period**

Name of entity	Date of gain or loss of control	Contribution to reporting entity's profit
Ferma SA	1 November 2005	\$1,822,000

**Dividends**

	Amount	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend	Date paid/ payable
<b>Interim dividend:</b> Current year	Nil	N/A	N/A	N/A	N/A
Previous year	Nil	N/A	N/A	N/A	N/A
<b>Final dividend paid in respect of previous financial year:</b>					
<i>Current period:</i> Final dividend	Nil	N/A	N/A	N/A	N/A
<i>Previous corresponding period:</i> Special dividend Final dividend	1,099,423	1.0c	Fully franked	N/A	

The dividend or distribution plans shown below are in operation.

N/A.

The last date(s) for receipt of election notices for the  
<sup>†</sup>dividend or distribution plans

N/A

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**Details of associates and joint venture entities**

Name of entity	Percentage of ownership interest held at end of period		Aggregate share of net profit (loss) contributed to the reporting entity	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
<b>Total</b>	N/A	N/A	N/A	N/A