



eServGlobal Limited

ABN 59 052 947 743

*Financial report for the financial
year ended 30 June 2010*

eServGlobal Limited

Annual financial report For the financial year ended 30 June 2010

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Directors' report

The directors of eServGlobal Limited submit herewith the annual financial report for the financial year ended 30 June 2010.

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

Name	Particulars
David Smart	<p>Aged 67. Non-executive Chairman and Chairman of the Audit Committee.</p> <p>David held senior executive positions in large scale manufacturing and merchandising businesses for more than 20 years. This includes 13 years as Chief Financial Officer of Tubemakers of Australia Limited and Metal Manufactures Limited. He is a non-executive director of a listed company Saunders International Limited.</p> <p>David holds a Bachelor of Commerce and MBA from the University of New South Wales and is a Fellow of the Australian Society of Certified Practising Accountants.</p> <p>David has been member of the Board since July 2000 and was appointed as Non-Executive Chairman on 23 July 2009.</p>
Richard Mathews	<p>Aged 46. Director and Chief Executive Officer.</p> <p>Richard has over 20 years' management experience in telecommunications, software and investment.</p> <p>Prior to joining eServGlobal, he established MHB Holdings, and holds the position of Managing Partner. Previous positions include senior Vice President of J.D. Edwards and Chief Executive Officer of Mincom, Australia's largest enterprise software company.</p> <p>Richard holds a Bachelor of Commerce and a Bachelor of Science from the University of Otago and is an Associate Chartered Accountant.</p> <p>Richard was appointed as a director on 23 July 2009.</p>
François Barrault	<p>Aged 50. Non-executive director.</p> <p>Francois was formerly CEO of BT Global services and member of the board and the operating committee of BT Group PLC until October 2008. François joined BT group in April 2004 as President of BT International. He has played significant roles within Lucent Technologies such as President Mobility International and President and CEO EMEA. Prior to Lucent, François worked at Ascend Communications, where he held the position of Senior Vice President, International. He has over 18 years' experience in this industry, including executive positions within IBM, Computervision/Prime and Stratus. François was also co-founder and Chairman of the Board of Astria, an e-commerce software supplier. He has an extensive knowledge of the International and European sector.</p> <p>François holds a Master of Science (D.E.A) in Robotics/AI and an E.D.P in Engineering from the Ecole Centrale de Nantes. François is based in Brussels, Belgium.</p> <p>François has been a member of the Board since March 2003.</p>

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Directors' report

Anthony M Eisen

Aged 39. Non-executive director.

Anthony Eisen is a chartered accountant with over 15 years experience in finance and investment. He is currently an executive of Guinness Peat Group (GPG). Prior to joining GPG, Anthony was an investment banker in Australia and the United States, wherein he specialised in the media, technology and telecommunications industries. Anthony currently represents the interests of the GPG group on the boards of ClearView Wealth Limited, Capral Limited and Tower Limited.

Anthony joined the Board in March 2009.

James Brooke

Aged 39. Non-executive director.

James Brooke is a chartered accountant with experience in strategic consulting, finance and investment. He is currently a fund manager at Gartmore in the UK Small Cap Team with responsibility for active corporate engagement. Previously, he worked in the private equity industry for ten years, initially with 3i in the London buyout team and most recently as a venture capitalist with Quester where he specialised in IT Services and telecommunications investments. Prior to this he was with Deloitte's strategic consultancy business after having trained with them as a Chartered Accountant.

James has a BA in Mathematics from Oxford University and an MSc in Telecommunications from UCL.

James was appointed a director on 26 July 2010.

Michael Jefferies

Aged 54. Alternate non-executive director for Anthony M Eisen.

Michael Jefferies is a chartered accountant who has extensive experience in finance and investment. He is currently an executive of Guinness Peat Group, Chairman of Touch Holdings Limited and a non-executive director of ClearView Wealth Limited, Tower Limited, Metals X Limited, Capral Limited and Ozgrowth Limited.

Michael joined the Board in March 2009.

Ian Buddery

Aged 52. Non-executive director.

Ian Buddery was a founder, past director and CEO of eServGlobal. During his 30 years in the technology industry, Ian has held senior management positions with major multinational vendor organisations and local firms. He has extensive international business experience, particularly in Europe and Australasia.

Ian Buddery was Executive Chairman until 23 July 2009, company secretary until 20 October 2009 and resigned as a non-executive director on 26 July 2010.

Anthony Gilbert

Aged 58. Non-executive director and former member of the Remuneration and Nominations Committee.

Anthony was formerly Group Strategic Resourcing Director at Vodafone PLC. Prior to Vodafone, Anthony held positions at companies including Ernst & Young in the UK, the Netherlands and Belgium; UKAEA, where he was Head of IT Strategy and Tyzack and Partners.

He holds an MA (Hons) in Natural Sciences from Trinity College, Cambridge (UK), an MSc in Computer Sciences from London University (UK) and an MBA from

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INSEAD (France).

Anthony joined the Board in July 2006 and ceased as a director on 1 October 2009.

Laurent Lafarge

Aged 50. Former director and former Chief Executive Officer.

Laurent Lafarge has a 22-year track record of leadership within the high-tech industry, at companies such as Control Data, Unisys, Tandem and Hewlett-Packard. Prior to eServGlobal, he was the Chief Operating Officer at Netcentrex Comverse. He has also been Vice-President Europe and Managing Director of Lucent Technologies France and Belgium. He is a graduate of the ISG business school in France and has completed the Executive Management Program at the Wharton School of the University of Pennsylvania, USA.

Laurent Lafarge resigned as Chief Executive Officer on 1 July 2009 and as a Director on 23 July 2009.

Graham Libbesson

Aged 57. Former non-executive director and former member of the Audit Committee.

Graham has extensive involvement in the IT industry through various directorships, consulting roles, and involvement with investments and transactions. He is a director of a number of private IT companies and ComOps Limited. He is also a consultant to Pitcher Partners Sydney Chartered Accountants and leader of that firm's ICT industry Group.

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

Graham Libbesson resigned as a non-executive director and member of the Audit Committee on 23 July 2009.

Jim Pratt

Aged 61. Former non-executive director and former Chairman of the Remuneration and Nominations Committee.

Jim brought to the Board over 30 years of experience in the telecommunications industry in Europe, Australia and Asia. In 1994, Jim was appointed as the founding Chief Executive Officer of Peoples Telephone Company Ltd., a GSM 1800 network operator in Hong Kong. On his return to Australia, Jim was appointed Managing Director of Telstra International's offshore wireless business interests and held this position until August 2001. From September 2002 to February 2006 he was President and CEO of the GlobeTrac Group of companies who are involved in AVL & Telematics in Europe.

Jim Pratt resigned as a non-executive director and Chairman of the Remuneration and Nominations Committee on 23 July 2009.

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Directors' report

Directorships of other listed companies

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

Name	Company	Period of Directorship
François Barrault	BT Group plc	24 April 2007 – 31 October 2008
David Smart	Saunders International Limited	22 October 2007 - Ongoing
Anthony M Eisen	ClearView Wealth Limited	12 November 2007 - Ongoing
	Capral Limited	19 October 2006 - 29 August 2008 ⁽ⁱ⁾
		29 August 2008 - Ongoing
	Tower Australia Group Limited	19 December 2006 - 8 August 2008 ⁽ⁱ⁾
	Tower Limited	12 December 2006 - Ongoing ⁽ⁱ⁾
Michael Jefferies	Touch Holdings Limited	28 June 2004 - Ongoing ⁽ⁱⁱ⁾
	Tower Limited	19 December 2006 - Ongoing
	Metals X Limited	29 December 2006 - Ongoing
	Ozgrowth Limited	31 October 2007 - Ongoing
	ClearView Wealth Limited	4 November 2008 - Ongoing
	Australian Wealth Management Limited	5 November 2004 - 24 April 2007
	Tower Australia Group Limited	8 August 2006 - 8 August 2008
	Capral Limited	6 November 2008 - Ongoing

(i) Alternate director

(ii) Non-executive Chairman

Company Secretary

Mr Jason Lilienstein joined eServGlobal Limited on 20 October 2009 and was previously the General Counsel & Company Secretary at Mincom Limited, where he led his team to the Australian In-house Legal Team of the Year award in 2007. He holds law and accountancy degrees, a graduate diploma in company secretarial practice, is an Associate of Chartered Secretaries Australia and a non-executive director of the Australian Corporate Lawyers Association.

Principal activities

eServGlobal specializes in mobile money solutions and value-added services (including promotions, loyalty, messaging, and multiplay) to help telco service providers increase their revenue and gain and maintain customer ownership.

eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements of more than 60 customers in over 45 countries. For 24 years, mobile, fixed, internet and multiplay telco providers have used eServGlobal's capabilities to lead and innovate in their local markets, leveraging their core assets and their trusted agent and subscriber relationships.

With 13 offices globally, eServGlobal provides full "end-to-end" and "any account to any account" mobile financial services and international money transfers.

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Directors' report

Review of operations

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

The Group achieved sales revenue for the year of \$78.015 million (2009: \$147.246 million) – a decrease of 47%.

A gross profit of \$34.588million was achieved by the Group for the year, a decrease of 51% from \$69.904 million in the previous year, representing a margin of 44% of sales revenue. The net result for the Group for the year was a loss after tax of \$32.286 million (2009: loss \$34.525 million).

Changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Subsequent events

On 26 May 2010, the company entered into a conditional agreement to sell its USP assets and undertakings to Oracle Australia Pty Limited.

The sale was subject to numerous conditions including shareholders' approval, which was obtained on 30 June 2010. The sale transaction was not completed as at 30 June 2010 and accordingly, the assets and related liabilities attributable to the sale have been classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" in the Consolidated Statement of Financial Position as at 30 June 2010.

The sale was completed subsequent to balance date on 3 August 2010 and will be recognised during the financial year ending 30 June 2011. The total proceeds on sale after purchase price adjustments was \$103,055,041 of which 77% was received on 4th August 2010 and the balance of 23% of the total sales proceeds held in escrow for a period of 2 years from completion date. 11.5% of the sale proceeds will be released from escrow 12 months from the completion date and the balance of 11.5% is to be released 24 months from the completion date.

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

Future developments

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

Dividends

No dividend has been declared in respect of the current financial year.

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Directors' report

Share options

Share options granted to directors and executives

During the financial year and up to the date of this report the company did not grant any options (2009: nil) to employees of the entity.

eServGlobal Employee Share Option Plan

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

The company issued nil (2009: nil) options during the financial year.

At the date of this report directors, executives and employees are entitled to purchase 914,521 (2009: 3,258,805) ordinary shares of the entity at issue prices ranging from \$0.66 to \$0.97 per ordinary share. At 30 June 2010, 976,180 (2009: 2,660,454) of these options had vested. The options may be exercised at various times up until 25 October 2012. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other body corporate or scheme, and do not participate in any dividends declared.

During the financial year 2,539,288 options expired. From the financial year end and up to the date of this report 138,333 options expired.

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

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

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
eServGlobal Limited	242,857	Ordinary	\$0.66	28 May 2011
eServGlobal Limited	466,666	Ordinary	\$0.69	6 March 2012
eServGlobal Limited	168,332	Ordinary	\$0.97	3 October 2012
eServGlobal Limited	36,666	Ordinary	\$0.97	25 October 2012

During the financial year and up to the date of this report, there were no options exercised.

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Directors' report

Indemnification of officers and auditors

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

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

Directors	Board of Directors		Audit Committee	
	Held	Attended	Held	Attended
David Smart	11	11	7	7
Francois Barrault	11	8	-	-
Anthony Eisen	11	10	1***	1
Richard Mathews	11	11	-	-
Ian Buddery	11	11	-	-
Graham Libbesson	1*	1	-	-
Jim Pratt	1*	1	-	-
Anthony Gilbert	3**	3	-	-

* There was only one Board meeting held prior to Graham Libbesson and Jim Pratt resigning as directors on 23 July 2009.

** There were only three Board meetings held prior to Anthony Gilbert ceasing to be a director on 1 October 2009.

*** There was only one Audit Committee meeting subsequent to Anthony Eisen becoming a member during the year.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 16 of the financial report.

Rounding off of amounts

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

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Directors' report

Remuneration Report

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

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

In determining the appropriate remuneration policies for the Group, the board believes that the salary packages must be sufficient, in the international marketplace in which the Group operates, to attract, retain and motivate high calibre, hard working, dedicated employees, who have the knowledge and skills appropriate for the business. In this regard, a component of the salary package for employees is paid after the results of a financial year are completed, and the entitlement is based primarily on the results achieved by the Group. The board's broad policy is implemented through its Remuneration and Nominations Committee.

Director and group executive details

The following persons acted as directors of the Company and the Group during or since the end of the financial year:

- David Smart (Non-executive Chairman, appointed 23 July 2009; previously non-executive director)
- Richard Mathews (Chief Executive Officer, appointed 1 July 2009 and Executive Director, appointed 23 July 2009)
- Francois Barrault (Non-executive director)
- Anthony Eisen (Non-executive director)
- Michael Jefferies (Alternate for Anthony Eisen)
- James Brooke (Non-executive director, appointed 26 July 2010)
- Ian Buddery (Non-executive director, appointed 23 July 2009 and resigned 26 July 2010; Secretary, appointed 11 July 2008 and resigned 20 October 2009; previously Executive Chairman)
- Anthony Gilbert (Non-executive director; ceased as a director on 1 October 2009)
- Laurent Lafarge (former Chief Executive Officer, employment ceased 1 July 2009; Director, resigned 23 July 2009)
- Graham Libbesson (Non-executive director, resigned 23 July 2009)
- Jim Pratt (Non-executive director, resigned 23 July 2009)

The executives of the Group for the 2010 financial year were:

- Richard Mathews (Chief Executive Officer, appointed 1 July 2009)
- Craig Halliday (Chief Operating Officer, appointed 1 July 2009)
- Stephen Blundell (Chief Financial Officer, appointed 2 November 2009)
- Jason Lilienstein (General Counsel & Company Secretary, appointed 20 October 2009)
- Remi Arame (Vice President Sales, appointed 5 October 2009)
- JC Bouillon (Vice President Services)
- Ian Buddery (Former Executive Chairman until 23 July 2009)
- J G Macleod (former Chief Financial Officer, resigned 30 October 2009)

Directors' report

Elements of director and executive remuneration

Non-executive directors are paid directors' fees and, in the case of those who are Australian based, compulsory superannuation fund contributions are made on their behalf. The board reviews the level of fees from time to time, and sets individual non-executive directors fees based on the levels of fees for comparable listed companies in the appropriate parts of the world. The non-executive directors are appointed by either the Board or shareholder vote and any appointment is subject to re-election on retirement required at Annual General Meetings.

The Chief Executive Officer (CEO) is remunerated on a salary package that includes a base salary, compulsory superannuation fund contributions and a substantial portion that is a variable component, which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The CEO is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The Chief Operating Officer (COO) is remunerated on a salary package that includes a base salary, pension and health plan contributions and a substantial portion that is a variable component, which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The COO is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The Chief Financial Officer (CFO) is remunerated on a salary package basis that includes a base salary and a portion that is a variable component which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The CFO is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The General Counsel & Company Secretary (GC) is remunerated on a salary package that includes a base salary, compulsory superannuation fund contributions and a portion that is a variable component, which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The GC is a permanent employee with no fixed employment term and a notice period of three months required by either party.

The Vice President Sales is remunerated on a salary package that includes a base salary, a portion that is a variable component (which is dependent on agreed performance objectives relating to sales), pension contributions and various allowances such as housing and education. The Vice President Sales is a permanent employee with no fixed employment term and a notice period of three months required by either party.

The Vice President Services is remunerated on a salary package that includes a base salary and a portion that is a variable component, which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The Vice President Services is a permanent employee with no fixed employment term and a notice period of three months required by either party.

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Directors' report

Elements of remuneration which are dependent on company performance

The Board believes that it is critical that the specified employees are driven by the financial performance of eServGlobal and, as detailed below, has structured executive packages so that a substantial portion of the variable component of their packages is directly linked to financial outcomes of eServGlobal. The targets are established annually and are approved by the Board at the same time as approval of the Group's business plan. The two key measures of this are: annual revenue and earnings before interest, tax, depreciation and amortisation components. This component is confirmed in conjunction with the completion of the financial statements. These targets are selected to ensure alignment of shareholders' interests with executive remuneration.

The tables below set out summary information about Group's earnings and movements in shareholder wealth for the five years to June 2010:

	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Revenue	78,015	147,246	177,934	153,951	95,004
EBITDA	(20,574)	(5,261)	24,162	18,934	10,088

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at start of year	\$0.455	\$0.820	\$0.960	\$0.600	\$0.920
Share price at end of year	\$0.600	\$0.455	\$0.820	\$0.960	\$0.600
Interim dividend	-	-	-	-	-
Final dividend ^{1,2}	-	-	3.0 cps	2.0 cps	1.2 cps
Basic earnings per share	(16.5)	(20.1)	6.1	3.2	1.7
Diluted earnings per share	(16.5)	(20.1)	6.0	3.2	1.7

¹ Final dividends declared for the financial year ending June 2006 was franked to 100% at 30% corporate income tax rate. Final dividends declared for the financial years ended June 2007 and June 2008 were unfranked.

² Declared after the balance date and not reflected as a liability in the financial statements.

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Directors' report

The directors and the group's key executives received the following amounts as compensation for their services as directors and executives of the Group during the year:

2010	Short-term employee benefits			Post Employment benefits	Share based payments	Termination Benefits	Total	Percentage of remuneration related to performance
	Salary & fees	Bonus (incl. variable pay component)	Non-monetary	Superannuation	Options			
	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
D Smart	145,712	-	-	13,114	-	-	158,826	-
F Barrault	70,000	-	-	-	-	-	70,000	-
I Buddery (vi)	194,223	-	-	7,236	-	-	201,459	-
A Eisen (i)	-	-	-	-	-	-	-	-
A Gilbert (vii)	16,361	-	-	-	-	-	16,361	-
M Jeffries (i)	-	-	-	-	-	-	-	-
G Libbesson (vii)	1,750	-	-	5,290	-	-	7,040	-
J Pratt (vii)	6,459	-	-	581	-	-	7,040	-
L Lafarge (vii)	90,591	-	-	-	-	-	90,591	-
Key Group Executives								
R Arame (ii) (iii) (viii)	229,681	79,325	6,647	31,036	-	-	346,689	23%
S Blundell (ii) (iv) (viii)	150,325	-	-	9,068	-	-	159,393	-
J C Bouillon (ii) (iii)	223,116	14,752	-	-	5,500	-	243,368	8%
C Halliday (ii) (v) (viii)	396,780	-	18,353	-	-	-	415,133	-
J Lilienstein (ii) (viii)	166,085	-	-	9,641	-	-	175,726	-
J G Macleod (ix)	167,006	-	-	3,615	-	102,083	272,704	-
R Mathews (ii) (viii)	560,539	-	-	14,461	-	-	575,000	-
Total	2,418,628	94,077	25,000	94,042	5,500	102,083	2,739,330	-

(i) A Eisen and M Jeffries have agreed that they will receive no benefit for their services.

(ii) Key management personnel are remunerated on a salary package basis that includes an appropriate portion that is a variable component which is dependent on company performance. Key management personnel had their variable pay components confirmed in conjunction with the completion of the financial statements. The variable components for key management personnel were confirmed on the achievement of customer orders or earnings before interest, tax, depreciation and amortisation targets established during the year.

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- (iii) Paid in Euros and subject to foreign exchange fluctuations at Group level.
- (iv) Paid in GBP and subject to foreign exchange fluctuations at Group level
- (v) Paid in USD and subject to foreign exchange fluctuations at Group level
- (vi) Includes \$42,372 salary & fees and \$1,461 post employment benefits related to role Executive Chairman until 23 July 2009. I Buddery resigned 26 July 2010
- (vii) G Libbesson, J Pratt and L Lafarge all resigned on 23 July 2009. A Gilbert ceased as a director on 1 October 2009.
- (viii) S Blundell, C Halliday, J Lilienstein, R Mathews and R Arame appointed on 2 November 2009, 1 July 2009, 20 October 2009, 1 July 2009 and 5 October 2009 respectively
- (ix) Resigned on 30 October 2009

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Directors' report

The directors and the group's key executives received the following amounts as compensation for their services as directors and executives of the Group during the previous financial year:

	Short-term employee benefits			Post Employment benefits	Share based payments	Termination Benefits	Total	Percentage of remuneration related to performance
	Salary & fees	Bonus (incl. variable pay component)	Non-monetary	Superannuation	Options			
2009	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
D Smart	25,614	-	-	86,780	-	-	112,394	-
A Eisen (i)	-	-	-	-	-	-	-	-
F Barrault	70,000	-	-	-	-	-	70,000	-
A Gilbert	106,127	-	-	-	27,367	-	133,494	-
M Jefferies (i)	-	-	-	-	-	-	-	-
G Libbesson	21,000	-	-	63,475	-	-	84,475	-
J Pratt	77,500	-	-	6,975	-	-	84,475	-
Key Group Executives								
I Buddery (ii)	287,861	-	-	13,745	-	150,000	451,606	-
L Lafarge (ii) (iii) (iv)	386,924	207,951	32,670	-	46,460	552,104	1,226,109	17.0%
G Lemoing (ii) (iii) (iv)	370,525	-	23,163	-	-	511,456	905,144	-
J G Macleod (iii)	305,267	19,987	-	9,163	-	-	334,417	6.0%
JP Labat (iii) (iv)	232,741	43,646	23,008	-	-	-	299,395	14.6%
Total	1,883,559	271,584	78,841	180,138	73,827	1,213,560	3,701,509	-

(x) A Eisen and M Jefferies have agreed that they will receive no benefit for their services.

(xi) Termination benefits were provided for in the current financial year and with respect to the former Executive Chairman and CEO were paid early in the 2010 financial year.

(xii) Key management personnel are remunerated on a salary package basis that includes an appropriate portion that is a variable component which is dependent on company performance and individual performance objectives. Key management personnel had their variable pay components confirmed in conjunction with the completion of the accounts. The variable components for key management personnel were confirmed on the achievement of revenue and earnings before interest, tax, depreciation and amortisation components and/or on the achievement of performance criteria established during the year. These amounts, related to the current year performance, will be paid in cash prior to 30 November 2009.

(xiii) Paid in Euros and subject to foreign exchange fluctuations at Group level.

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Directors' report

Directors' shareholdings

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

Directors	Fully paid ordinary shares	Executive share options
David Smart	40,000	-
Francois Barrault	500,000	-
Anthony Eisen ¹	38,316,296	-
Richard Mathews	17,322,713 ² 206,683 ³	-
James Brooke ⁴	36,363,462	-
Michael Jefferies ¹	38,316,296	-

¹ Shares held or beneficially owned by Guinness Peat Group of which Anthony Eisen and Michael Jefferies are both executives.

² Relevant interest in shares held by MHB Holdings Pty Ltd.

³ Relevant interest in shares held by Paua Pty Ltd.

⁴ Shares held by Gartmore Investment Limited of which James Brooke is an executive.

Value of options issued to directors and executives

During the current financial year:-

- there were no options which were granted to or vested in directors and executives other than :
 - 16,667 options previously issued to JC Bouillon vested during the year (issued on 7 March 2007, 66.66% vested at 30 June 2010, Nil % of grant forfeited and 2.2% of compensation for the year consisting of options)
- no options were forfeited as a result of a condition required for vesting not being satisfied; and
- no directors or executives exercised options that were granted to them as part of their compensation.

During the financial year, the following share-based payment arrangements were in existence.

Options series	Grant date	Expiry date	Exercise price	Grant date fair value
Issued 29 May 2006 ⁽ⁱⁱ⁾	29-May-06	2011	\$0.66	\$0.25
Issued 17 November 2006 ⁽ⁱ⁾	17-Nov-06	2011	\$0.69	\$0.297
Issued 7 March 2007 ⁽ⁱ⁾	07-Mar-07	2012	\$0.69	\$0.33
Issued 26 September 2007 ⁽ⁱ⁾	26-Sep-07	2012	\$0.97	\$0.43
Issued 4 October 2007 ⁽ⁱ⁾	04-Oct-07	2012	\$0.97	\$0.44
Issued 26 October 2007 ⁽ⁱ⁾	26-Oct-07	2012	\$0.97	\$0.427

In accordance with the terms of the Employee Share Option Plan:

- options issued in these series vest as to one-third on each of the first, second and third anniversary dates from the date of issue and expire five years from date of issue.
- options issued in this series vest one-half immediately on issue and the balance on the first anniversary date from the date of issue and expire five years from date of issue.

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

On behalf of the Board



David Smart
Chairman
30 September 2010

30 September 2010

The Board of Directors
eServGlobal Limited
Suite 5
30 Florence Street
Teneriffe QLD 4006

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 audit of the financial statements of eServGlobal Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

eServGlobal Limited

Corporate governance statement

The eServGlobal Limited Board is responsible for establishing the corporate governance framework of the group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. eServGlobal is also required to comply with, inter alia, the Corporations Act 2001 (Cwth), the ASX Listing Rules and the London Stock Exchange AIM Rules for Companies. The table below and accompanying statement outlines the main corporate governance practices of eServGlobal during the financial year and the extent of eServGlobal's compliance with the CGC's recommendations as at the date of this report.

Recommendation	Comply
Principle 1 – Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	√
1.2 Companies should disclose the process for evaluating the performance of senior executives.	√
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	√*
Recommendation	Comply
Principle 2 - Structure the Board to add value	
2.1 A majority of the Board should be independent directors	x
2.2 The chair should be an independent director.	√
2.3 The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	√
2.4 The Board should establish a nomination committee.	√
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	√
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	√
Recommendation	Comply
Principle 3 - Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	√
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	√
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	√
Recommendation	Comply
Principle 4 – Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	√
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> • Consists only of non-executive Directors. • Consists of a majority of independent Directors. • Is chaired by an independent chair, who is not chair of the Board. • Has at least three members. 	x
4.3 The audit committee should have a formal charter.	√
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	√*

Corporate governance statement

Recommendation	Comply
Principle 5 - Make timely and balanced disclosure	
5.1 Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	√
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	√
Recommendation	Comply
Principle 6 - Respect the rights of shareholders	
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	√
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	√
Recommendation	Comply
Principle 7 – Recognise and manage risk	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√*
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√
7.3 The Board should disclose whether it has received assurance from the CEO [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	√
Recommendation	Comply
Principle 8 – Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee.	√
8.2 Companies should clearly distinguish the structure of nonexecutive directors' remuneration from that of executive directors and senior executives.	√
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	√*

√* indicates partial compliance. Refer to further details below.

Principle 1. Lay solid foundations for management and oversight

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The primary responsibilities of eServGlobal's Board include:

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

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

The responsibilities of senior management including the Chief Executive Officer are contained in letters of appointment and job descriptions given to each executive on appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

- (i) Achieve the annual business plan and budget
- (ii) Ensure the highest standards of quality and service are delivered to customers
- (iii) Ensure that employees are supported, developed and rewarded to the appropriate professional standards
- (iv) Ensure that the company continues to produce innovative technology and leading products

Decision making in respect of the functions reserved for the Board and those delegated to management is in accordance with a delegation of authority policy and procedures adopted by the Board.

1.2 Companies should disclose the process for evaluating the performance of senior executives.

The performance of all senior executives is reviewed at least once a year by the Chief Executive Officer, in conjunction with the full Board. They are assessed against personal and company key performance indicators established at the start of each calendar year for each individual. For more detail, refer to the Directors' Report.

1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed. A statement covering the primary responsibilities of the Board is set out in 1.1 above. A statement covering the primary responsibilities of the senior executives is set out in 1.1 above. A copy of the Board charter is not publicly available.

Corporate governance statement

Principle 2. Structure the board to add value

2.1 *A majority of the board should be independent directors.*

The eServGlobal Board consists of four non-executive directors and one executive director. David Smart and Francois Barrault are considered to be independent directors. Anthony Eisen, Richard Mathews and James Brooke are not considered to be independent by virtue of being associated with substantial shareholders of the company. As such, a majority of the Board are not independent directors. During the reporting period, the company has restructured its Board and management, with its focus being on filling skill gaps on the Board relative to the business to ensure an appropriate, balanced Board in terms of both size and skills. As such, even though the three directors are not considered to be independent by virtue of the various indicia, the company believes that Board composition is appropriate for the business at the present stage and will continue to review this on an ongoing basis.

2.2 *The chair should be an independent director.*

The Chairman David Smart is an independent director.

2.3 *The roles of chair and chief executive officer should not be exercised by the same individual.*

David Smart is the company's Chairman and Richard Mathews is the Chief Executive Officer.

2.4 *A nomination committee should be established.*

The Company has established a Remuneration and Nomination Committee. The members of that Committee are Anthony Eisen and Francois Barrault. That Committee functions as a separate committee however, because of the evolving nature of the company's Board and businesses (after the sale of the USP business to Oracle) during the reporting period, many of the functions of the Remuneration and Nomination Committee were also carried out in conjunction with the full Board.

2.5 *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The eServGlobal Chairman undertakes an annual evaluation process in reviewing the performance of directors. In the ordinary course, the Remuneration & Nomination Committee then determines whether any external advice or training is required, and ultimately provides a general report to the Board identifying the outcome of the review, although this has not yet occurred in the reporting period due to the evolving nature of the Board and the company's businesses after the sale of the USP business to Oracle.

2.6 *Companies should provide the information indicated in the Guide to reporting on Principle 2*

A description of the skills and experience of each director is contained in the Directors' Report.

The names of the directors considered to be independent are specified in 2.1 above.

Directors are able to take independent professional advice at the expense of the company, with the prior agreement of the Chairman.

The period of office held by each director is specified in the Directors' Report.

The members of the Remuneration and Nomination Committee are Anthony Eisen and Francois Barrault. That Committee functions as a separate committee however during the reporting period, many of the functions of that Committee were also carried out in conjunction with the full Board. The number of Board meetings and attendances at those meetings by individual directors are detailed in the Directors' Report.

An evaluation of the Board directors did not take place during the reporting period for the reasons described in 2.5 above.

New directors are selected by and voted on by the Board. The Board does not have a formal policy for the nomination and appointment of directors but considers the position on merit on a case by case basis. Any director appointed by the Board must retire at the next Annual General Meeting of the company but may submit himself/herself for re-election. Further, each year, 1/3rd of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

A copy of the Remuneration and Nomination Committee charter is not publicly available.

Corporate governance statement

Principle 3. Promote ethical and responsible decision-making

3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

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

The code of conduct is available to directors and employees on the company's internal website.

3.3 *Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

The company has a Securities Dealing Policy, which is summarized below.

3.4 *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

eServGlobal Limited's shares are listed on both the Australian Securities Exchange and the London Stock Exchange (AIM). The company's policies relating to Board and employee trading in shares has been designed to meet the requirements of both stock exchanges. The current policy (Securities Dealing Policy), can be summarised as follows:

- A director, employee or an associate of any of them shall not:
 - engage in short term trading of the company's securities;
 - deal in the company's securities when he or she is in possession of insider information, or unpublished price sensitive information;
 - deal in the company's securities in the periods from the end of the financial year or half year until the results of those periods are released.

A director, employee or an associate of any of them shall not deal in the company's securities at any time without prior approval as specified in the Securities Dealing Policy. In this regard, a director or senior executive is required to advise the Chairman of the Board before commencing a transaction, and other employees are required to advise the Secretary before commencing the transaction. In all cases prior written approval is required. Applications to trade and approvals have to follow the processes set out in the Securities Dealing Policy.

The code of conduct and the Securities Dealing Policy are available to directors and employees on the company's internal website.

Principle 4. Safeguard integrity in financial reporting

4.1 *The board should establish an audit committee.*

The company has established an Audit Committee.

4.2 *The audit committee should be structured so that it:*

- *consists only of non-executive directors.*
- *consists of a majority of independent directors.*
- *is chaired by an independent chair, who is not chair of the board.*
- *has at least three members.*

Corporate governance statement

The Audit Committee comprises David Smart (Chairman) and Anthony Eisen, both of whom are qualified and experienced accountants. Of the Committee members, only David Smart is considered to be an independent director although he is also Chairman of the Board. Despite this and despite not having at least three members, the Board believes that the Audit Committee has the required independence and competence and is of an appropriate size for the company.

4.3 *The audit committee should have a formal charter.*

The company has adopted an Audit Committee charter.

4.4 *Companies should provide the information indicated in the Guide to reporting on Principle 4.*

The names and qualifications of the audit committee members and the number of meetings of the audit committee are contained in the Directors' Report.

The Audit Committee charter is not publicly available on the company's website.

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

In conjunction with the auditors, the Audit Committee monitors the term of the external audit engagement partner and ensures that the regulatory limit for such term is not exceeded. At the completion of the term, or earlier in some circumstances, the auditor nominates a replacement engagement partner. The Audit Committee interviews the nominee to assess relevant prior experience, potential conflicts of interest and general suitability for the role. If the nominee is deemed suitable, the Audit Committee reports to the Board on its recommendation.

Principle 5. Make timely and balanced disclosure

5.1 *Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The eServGlobal Board, Company Secretary and senior management are aware of the ASX Listing Rules, AIM Rules and Corporations Act disclosure requirements, and take steps to actively monitor and ensure ongoing compliance. One of the responsibilities of the company's General Counsel & Company Secretary is reviewing day to day compliance with these requirements which he continuously considers in conjunction with the Chief Executive Officer. Further, at each Board meeting, there is a separate agenda item on this topic where directors review the disclosures made by the company over the past month and consider any existing issues that may give rise to further required disclosure.

5.2 *Companies should provide the information indicated in the Guide to reporting on Principle 5.*

The company's continuous disclosure policy is described above.

Principle 6. Respect the rights of shareholders

6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

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

Shareholders are encouraged to participate in the AGMs and time is set aside for formal and informal questioning of the Board and senior management.

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

Corporate governance statement

6.2 *Companies should provide the information indicated in the Guide to reporting on Principle 6.*

The company's communications policy is described in 6.1 above.

Principle 7. Recognise and manage risk

7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Board monitors the risks and internal controls of eServGlobal in conjunction with the Audit Committee. The Audit Committee looks to the Chief Executive Officer, Chief Financial Officer and General Counsel & Company Secretary to ensure that an adequate system is in place to identify and, where possible, appropriately manage and mitigate risks inherent in the business, and to implement appropriate internal controls.

Categories of risks managed cover all major aspects of a global technology company. The details are not disclosed as this may disadvantage the company in regard to its competitors.

7.2 *The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The Board has required management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Management has reported to the Board as to the effectiveness of the company's management of its material business risks.

7.3 *The Board should disclose whether it has received assurance from the CEO [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

7.4 *Companies should provide the information indicated in the guide to reporting on Principle 7.*

The Board has received the report from management under recommendation 7.2; the Board has received assurance from the Chief Executive Officer and the Chief Financial Officer under recommendation 7.3; the company's policies on risk oversight and management of material business risks are not publicly available for the reason specified above.

Principle 8. Remunerate fairly and responsibly

8.1 *The board should establish a remuneration committee.*

The Company has established a Remuneration and Nomination Committee. The members of that Committee are Anthony Eisen and Francois Barrault. That Committee functions as a separate committee however, because of the evolving nature of the company's Board and businesses (after the sale of the USP business to Oracle) during the reporting period, many of the functions of the Remuneration and Nomination Committee were also carried out in conjunction with the full Board.

Corporate governance statement

8.2 *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

Non-executive directors are paid a fixed directors fee as set out in the Directors' Report.

Senior executives remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation and pension payments and entitlements upon retirement or termination, are reviewed annually with due regard to performance.

8.3 *Companies should provide the information indicated in the guide to reporting on Principle 8.*

The members of the Remuneration and Nomination Committee are Anthony Eisen and Francois Barrault. That Committee functions as a separate committee however during the reporting period, many of the functions of that Committee were also carried out in conjunction with the full Board. The number of Board meetings and attendances at those meetings by individual directors are detailed in the Directors' Report.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors. Non-executive directors do not receive options or bonus payments.

A copy of the Remuneration and Nomination committee charter is not publicly available.

Independent Auditor's Report to the Members of eServGlobal Limited

Report on the Financial Report

We have audited the accompanying financial report of eServGlobal Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 to 75.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of eServGlobal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of eServGlobal Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.


DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants
Sydney, 30 September 2010

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) in the director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors



David Smart
Chairman

Sydney, 30 September 2010

eServGlobal Limited

Consolidated statement of comprehensive income for the financial year ended 30 June 2010

	Note	Year Ended 30 June 2010 \$'000	Year Ended 30 June 2009 \$'000
Revenue	2	78,015	147,246
Cost of sales		(43,427)	(77,342)
Gross profit		34,588	69,904
Other income	2	-	421
Research and development expenses		(9,992)	(17,906)
Sales and marketing expenses		(13,908)	(24,214)
Administration expenses		(31,262)	(33,466)
(Loss) before interest, tax, depreciation and amortisation		(20,574)	(5,261)
Amortisation expense	3	(6,877)	(7,783)
Impairment of goodwill	13	-	(12,501)
Depreciation expense	3	(2,685)	(3,284)
Loss before interest and tax		(30,136)	(28,829)
Finance costs	3	(355)	(262)
Loss before tax	3	(30,491)	(29,091)
Income tax expense	4	(1,795)	(5,434)
Loss for the year		(32,286)	(34,525)
Other comprehensive (loss) income			
Exchange differences arising on the translation of foreign operations		(5,813)	2,498
Total comprehensive (loss) income for the period		(38,099)	(32,027)
(Loss) profit attributable to:			
Equity holders of the parent		(32,443)	(34,743)
Non controlling interest		157	218
		(32,286)	(34,525)
Total comprehensive (loss) income attributable to:			
Equity holders of the parent		(38,229)	(32,016)
Non controlling interest		130	(11)
		(38,099)	(32,027)
(Loss) per share:			
Basic (cents per share)	22	(16.5)	(20.1)
Diluted (cents per share)	22	(16.5)	(20.1)

Notes to the financial statements are included on pages 32 to 75.

eServGlobal Limited

Consolidated statement of financial position at 30 June 2010

		30 June 2010 \$'000	30 June 2009 \$'000
Current Assets			
Cash and cash equivalents	28(a)	2,225	14,135
Trade and other receivables	9	31,143	63,493
Inventories	11	853	623
Current tax assets	4	4,897	7,368
		39,118	85,619
Assets classified as held for sale	8	27,528	-
Total Current Assets		66,646	85,619
Non-Current Assets			
Property, plant and equipment	12	3,071	4,891
Deferred tax assets	4	1,907	2,929
Goodwill	13	6,820	35,483
Other intangible assets	14	12,727	20,383
Total Non-Current Assets		24,525	63,686
Total Assets		91,171	149,305
Current Liabilities			
Trade and other payables	15	13,349	31,963
Borrowings	16	5,794	-
Current tax payables	4	535	930
Provisions	17	4,123	5,562
Other	18	5,268	7,219
		29,069	45,674
Liabilities directly associated with assets classified as held for sale	8	750	-
Total Current Liabilities		29,819	45,674
Non-Current Liabilities			
Deferred tax liabilities	4	4,083	8,040
Provisions	17	505	537
Total Non-Current Liabilities		4,588	8,577
Total Liabilities		34,407	54,251
Net Assets		56,764	95,054
Equity			
Issued capital	19	123,946	123,946
Reserves	20	(1,566)	4,411
Accumulated Losses	21	(65,781)	(33,338)
Parent entity interest		56,599	95,019
Non controlling interest		165	35
Total Equity		56,764	95,054

Notes to the financial statements are included on pages 32 to 75.

eServGlobal Limited

Consolidated statement of changes in equity for the year ended 30 June 2010

	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Employee equity- settled benefits Reserve \$'000	Retained Earnings (Accumu- lated Losses) \$'000	Attributable to owners of the parent \$'000	Non controlling Interest \$'000	Total \$'000
Consolidated							
Balance at 1 July 2009	123,946	3,323	1,088	(33,338)	95,019	35	95,054
Profit/(Loss) for the year	-	-	-	(32,443)	(32,443)	157	(32,286)
<i>Other comprehensive income (loss) for the year</i>							
Exchange differences arising on translation of foreign operations	-	(5,786)	-	-	(5,786)	(27)	(5,813)
Total comprehensive income (loss) for the year	-	(5,786)	-	(32,443)	(38,229)	130	(38,099)
Equity settled payments	-	-	(191)	-	(191)	-	(191)
Balance at 30 June 2010	123,946	(2,463)	897	(65,781)	56,599	165	56,764
Balance at 1 July 2008	115,325	596	1,042	6,536	123,499	46	123,545
Profit/(Loss) for the year	-	-	-	(34,743)	(34,743)	218	(34,525)
<i>Other comprehensive income (loss) for the year</i>							
Exchange differences arising on translation of foreign operations	-	2,727	-	-	2,727	(229)	2,498
Total comprehensive income (loss) for the year	-	2,727	-	(34,743)	(32,016)	(11)	(32,027)
Issue of shares	8,460	-	-	-	8,460	-	8,460
Transfer from equity settled benefits reserve	161	-	(161)	-	-	-	-
Equity settled payments	-	-	207	-	207	-	207
Payment of dividends	-	-	-	(5,131)	(5,131)	-	(5,131)
Balance at 30 June 2009	123,946	3,323	1,088	(33,338)	95,019	35	95,054

Notes to the financial statements are included on pages 32 to 75.

eServGlobal Limited

Consolidated statement of cash flows for the year ended 30 June 2010

	Note	Year Ended 30 June 2010 \$'000	Year Ended 30 June 2009 \$'000
Cash Flows from Operating Activities			
Receipts from customers		108,521	159,013
Payments to suppliers and employees		(122,651)	(165,926)
Interest and other finance cost paid		(355)	(262)
Net income tax refunded		1,444	5,081
Net cash used in operating activities	28(c)	(13,041)	(2,094)
Cash Flows From Investing Activities			
Interest received		-	271
Payment for property, plant and equipment		(2,214)	(2,159)
Software development costs		(2,195)	(4,035)
Net cash used in investing activities		(4,409)	(5,923)
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		-	8,460
Dividends paid	23	-	(5,131)
Net cash provided by financing activities		-	3,329
Net Decrease In Cash and Cash Equivalents		(17,450)	(4,688)
Cash At The Beginning Of The Period		14,135	18,288
Effects of exchange rate changes on the balance of cash held in foreign currencies		(254)	535
Cash and Cash Equivalents At The End Of The Period	28(a)	(3,569)	14,135

Notes to the financial statements are included on pages 32 to 75.

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES

Adoption of new and revised Accounting Standards

In the current year, the Group has not early adopted any of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Initial application of the following Standards and Interpretations, which are relevant to the financial statements, is not expected to have material impacts to the financial statements nor significantly affect the disclosures presently made in relation to the Group's financial statements:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB – 2009-5 Further Amendments to Australian Accounting Standards arising from the annual improvements Project	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	30 June 2011
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements include the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 29th September 2010

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, deposits held at call with banks and financial institutions, investments in money market instruments with maturities of three months or less from the date of acquisition, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(b) Employee benefits

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

Provisions made in respect of 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 Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) *Financial assets*

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition.

The carrying amount of loans and receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying value of the allowance account are recognised in profit and loss.

(d) *Financial instruments issued by the Group*

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Transaction costs on the issue of equity instruments

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

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(d) *Financial instruments issued by the Group (continued)*

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised in an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

(e) *Foreign currency*

Foreign currency transactions

All foreign currency transactions arising during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at 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. Non-monetary items that are measured at historical cost in a foreign currency are not re-translated.

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

Foreign operations

All overseas subsidiaries, other than those that are part of the eServGlobal Holdings SAS group, report in their functional currency of AUD, in accordance with the requirements of AASB 121 “The Effects of Changes in Foreign Currency Exchange Rates” and as a consequence all exchange rate translation differences are taken to profit or loss. The eServGlobal Holdings SAS group reports in its functional currency of EUR and on consolidation, the assets and liabilities of the eServGlobal Holdings SAS group 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.

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Goods and services tax

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

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

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

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

(g) 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(h).

(h) Impairment of assets

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the business combination.

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.

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.

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) *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 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 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, 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.

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(j) Intangible assets

All intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Software and Documentation

Software and Documentation are recorded initially at fair value and have an estimated useful life. Amortisation is charged on a straight line basis over their useful lives.

Customer Relationships

Customer Relationships are recorded initially at fair value and have an estimated useful life. Amortisation is charged on a straight line basis over their useful lives.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs 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 to be incurred in marketing, selling and distribution.

(l) Leases

Operating lease payments, where substantially all of the risks and benefits remain with the lessor, 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. Contingent rentals are recognised as an expense in the period in which they are incurred.

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.

(m) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

eServGlobal Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(m) Basis of consolidation (continued)

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of the assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the groups interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(n) Property, plant and equipment

Plant and equipment, office furniture and fittings and leasehold improvements 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 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
Leasehold improvements	over the period of the lease

eServGlobal Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(o) Provisions

Provisions are recognised when the Group 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.

Onerous Contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits expected to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits expected to be received.

(p) Research and development costs

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

The expenditure capitalised includes cost of materials, direct labour and a proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as and when incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

eServGlobal Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Revenue recognition

Sale of Goods and Licences

Revenue from the sale of goods and licences is recognised when the Group has passed control of the goods or other assets to the buyer, except in the case of projects involving significant customisation where revenue is recognised by reference to the stage of completion of the project.

Rendering of Services

Revenue from services to supply custom designed and developed software or solutions is recognised by reference to the stage of completion of the project. The stage of completion is determined by assessing, at the reporting date, the level of actual services performed as a percentage of total services to be performed in relation to the project.

Revenue recognised in advance of the corresponding bill being raised is recorded as 'work in progress', whilst bills raised in advance of the services being performed is recorded as 'deferred income'.

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.

Work in Progress

Work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented in other liabilities.

Contracts costs include all costs directly related to specific contracts and costs that are specifically chargeable to the customers under the terms of the contract.

(r) 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 either a Black Scholes or 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 Group's estimate of shares that will eventually vest.

(s) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to transactions arising from specific customer orders. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair value of all derivative financial instruments outstanding at the reporting date are recognised in the statement of financial position as either financial assets or financial liabilities. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity, with any ineffective portion being recognised in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item.

eServGlobal Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(s) *Derivative financial instruments and hedge accounting (continued)*

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Derivatives embedded in other financial instruments, or other non financial host contracts, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

(t) *Non-current assets held for sale*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(u) *Critical accounting judgments and key sources of estimation uncertainty*

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Group.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of goodwill. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates described in note 13.

Revenue recognition

Revenue in relation to the supply of custom designed and developed software or solutions is recognised on each project by reference to the stage of completion of the project. The method of calculating the percentage completion of the project involves an element of judgement based on future project costs and profitability of each project. The information used to forecast these costs is based on historical events and current economic data on a customer by customer basis.

(v) *Comparative balances in the consolidated statement of comprehensive income*

In the prior year, certain Administrative Expenses incurred were allocated to Cost of Sales and Selling and Marketing Expenses which were not allocated in the current year. The comparative balances have been reclassified to conform with the current year's presentation which resulted in the reduction in the comparative year's Cost of Sales by \$4,177,000 and Sales & Marketing by \$436,000 and the increase in the comparative year's Administrative Expenses by \$4,613,000.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
2. REVENUE		
Revenue from continuing operations consisted of the following items:		
Revenue from the sale of goods	25,742	74,435
Revenue from the rendering of services	52,273	72,811
	78,015	147,246
<i>Interest revenue:</i>		
Bank deposits	-	271
	-	271
Other revenue	-	150
	-	421
	78,015	147,667
3. (LOSS)/PROFIT BEFORE TAX		
(Loss)/profit before tax has been arrived at after charging the following expenses from continuing operations:		
Net foreign exchange loss/(gain)	2,977	632
Finance costs:		
Interest - other entities	355	262
Depreciation of non-current assets:		
Office furniture and fittings	302	599
Leasehold improvements	19	19
Plant and equipment	2,364	2,666
	2,685	3,284
Amortisation of intangible assets:		
Customer relationships, software and documentation	6,877	7,783
Operating lease rental expenses:		
Minimum lease payments	5,117	4,365
Net loss on disposal of non-current assets		
Plant and equipment	62	32
Impairment loss recognised on trade receivables (note 9)	1,208	-

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
3. (LOSS)/PROFIT BEFORE TAX (continued)		
Employee benefit expense:		
Contributions to defined contribution plans	249	221
	<u>249</u>	<u>221</u>
Share-based payments:		
Equity settled share-based payments	(191)	207
	<u>(191)</u>	<u>207</u>
Staff redundancies and termination costs	2,493	7,691
	<u>2,493</u>	<u>7,691</u>
4. INCOME TAXES	2010	2009
	\$'000	\$'000
(a) Income tax recognised in (loss)/profit		
Tax expense comprises:		
Current tax expense/(income)	3,004	3,658
Adjustments recognised in the current year in relation to the current tax of prior years	(30)	43
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	(1,179)	1,733
Total tax expense	<u>1,795</u>	<u>5,434</u>
The prima facie income tax expense on pre-tax accounting (loss)/profit from operations reconciles to the income tax expense in the financial statements as follows:		
(Loss)/profit from operations	(30,491)	(29,091)
Income tax (benefit)/expense calculated at 30%	<u>(9,147)</u>	<u>(8,727)</u>
Non-deductible expenses	412	1,014
Foreign withholding tax credits not utilised	2,252	2,544
Non-deductible impairment loss	-	3,549
Deferred tax assets not recognised	9,364	8,105
Non-assessable item – research tax credits	(848)	(1,165)
Non-assessable income	(424)	(105)
Effect of different tax rate in foreign operations	216	176
Under/(over) provision of income tax in previous year	(30)	43
	<u>1,795</u>	<u>5,434</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
4. INCOME TAXES (continued)		
(b) Current tax assets and liabilities		
Current tax assets:		
Tax refund receivables	4,897	7,368
Current tax payables:		
Income tax payables	535	930

Deferred tax balances

Deferred tax assets and liabilities arise from the following:

	Consolidated			
	Opening balance	Charged to income	Charged to equity	Closing balance
2010	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities:				
Accrued income	390	(220)	-	170
Exchange difference on foreign subsidiary	1,258	-	(1,258)	-
Intangible assets	6,392	(1,981)	(498)	3,913
	8,040	(2,201)	(1,756)	4,083
Deferred tax assets:				
Tax losses – revenue	2,250	(617)	-	1,633
Property, plant and equipment	59	(32)	-	27
Deferred income	7	45	-	52
Accrued costs	362	(220)	-	142
Other - share issue expenses	174	(174)	-	-
Other	77	(24)	-	53
	2,929	(1,022)	-	1,907

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

4. INCOME TAXES (continued)

2009	Consolidated			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax liabilities:				
Accrued income	207	183	-	390
Exchange difference on foreign subsidiary	190	-	1,068	1,258
Property, plant and equipment	140	(140)	-	-
Intangible assets	7,973	(2,133)	552	6,392
	<u>8,510</u>	<u>(2,090)</u>	<u>1,620</u>	<u>8,040</u>
Deferred tax assets:				
Tax losses – revenue	2,816	(567)	-	2,250
Foreign tax credits	14	(14)	-	-
Property, plant and equipment	110	(51)	-	59
Deferred income	48	(41)	-	7
Accrued costs	2,679	(2,386)	69	362
Retirement provisions	458	(458)	-	-
Exchange difference on foreign subsidiary	224	-	(224)	-
Other - AIM listing costs	17	(17)	-	-
Other - share issue expenses	349	(175)	-	174
Other	-	77	-	77
	<u>6,715</u>	<u>(3,823)</u>	<u>(155)</u>	<u>2,929</u>

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is eServGlobal Limited. The members of the tax-consolidated group are identified at note 25.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, eServGlobal Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

5. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation policy

The Remuneration and Nominations Committee reviews the remuneration packages of all key management on an annual basis and makes recommendations to the Board. The Board's approach on Remuneration Policies is set out in the Remuneration Report which forms part of the Directors' Report.

The aggregate compensation made to key management personnel of the Group is set out as follows:

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	2,371,620	2,233,984
Post-employment benefits	84,401	180,138
Termination benefits	102,083	1,213,560
Share-based payment	5,500	73,827
	<u>2,563,604</u>	<u>3,701,509</u>

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS

The Group has ownership-based remuneration schemes for directors, executives and employees of the Group. In accordance with the provisions of the scheme, directors and employees may be granted options to acquire ordinary shares in the company. The board believes that the options scheme has a significant role to play in motivating employees to help ensure the continued performance of the Group, although the obligations under A-IFRS to expense the notional benefit of options issued has impacted the attractiveness of issuing options. The vesting of any share options is not dependent on any performance criteria, however, is dependent on a period of service relative to the vesting dates.

During the financial year, the company did not issue any options (2009: nil).

Under the eServGlobal Employee Share Option Plan, established 4 August 2000 to assist in the attraction, retention and motivation of employees and Directors of the company and its related bodies corporate, at 30 June 2010, executives and employees are entitled to purchase an aggregate of 1,052,854 (2009: 3,592,142) ordinary shares of the entity at an exercise price ranging from \$0.66 to \$0.97 (2009: \$0.66 to \$0.97) per ordinary share. At 30 June 2010, 976,180 (2009: 2,660,454) of these options had vested. The options may be exercised at various times up until 25 October 2012. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other body corporate or scheme, and do not participate in any dividends declared.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

The following share-based payment arrangements were in existence during the period:

Option Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at grant date
Issued 29 May 2006 ⁽ⁱⁱ⁾	1,457,142	29-May-06	2011	0.66	364,286
Issued 17 November 2006 ⁽ⁱ⁾	500,000	17-Nov-06	2011	0.69	148,333
Issued 7 March 2007 ⁽ⁱ⁾	975,000	07-Mar-07	2012	0.69	321,750
Issued 26 September 2007 ⁽ⁱ⁾	300,000	26-Sep-07	2012	0.97	129,100
Issued 4 October 2007 ⁽ⁱ⁾	310,000	04-Oct-07	2012	0.97	136,917
Issued 26 October 2007 ⁽ⁱ⁾	50,000	26-Oct-07	2012	0.97	21,367

In accordance with the terms of the Employee Share Option Plan:

- (i) options issued in these series vest as to one-third on each of the first, second and third anniversary dates from the date of issue and expire five years from date of issue.
- (ii) options issued in this series vest one-half immediately on issue and the balance on the first anniversary date from the date of issue and expire five years from date of issue.

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

There were no share options granted during the financial year (2009: nil).

Options issued since June 2004

Options were priced by an appropriately qualified expert who chose to use the binomial pricing model, because it allows for performance hurdles and settlement before expiry. Where relevant, the expected life used in the model has been adjusted based on a best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The risk-free rate is sourced from the Reserve Bank of Australia. To allow for effects of early exercise, it was assumed that employees would exercise the options after vesting date when the share price was two times the exercise price.

Inputs into the models for the series of options issued post June 2004:

Issue Date	Share price at grant date	Risk free rate of return to expiry (p.a.)	Years to expiration/ exercise	Dividend yield (p.a.)	Volatility	Sub optimal early exercise factor
29-May-06	0.66	5.62%	5	0.0%	50.00% - 60.00%	2.00
17-Nov-06	0.70	5.80%	5	1.5%	50.00% - 60.00%	2.00
7-Mar-07	0.77	5.80%	5	1.5%	45.00% - 55.00%	2.00
26-Sep-07	1.06	6.36%	5	1.5%	45.00% - 50.00%	2.00
4-Oct-07	1.07	6.42%	5	1.5%	45.00% - 50.00%	2.00
26-Oct-07	1.05	6.41%	5	1.5%	45.00% - 50.00%	2.00

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

The following reconciles the outstanding share options granted under the executive share option plan at the beginning and the end of the financial year:

	2010		2009	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at the beginning of the year	3,592,142	0.729	4,979,478	0.602
Granted during the year	-	-	-	-
Exercised during the financial year	-	-	(1,242,668)	0.277
Expired during the year	(2,539,288)	0.722	(144,668)	0.230
Balance at the end of the year	1,052,854	0.748	3,592,142	0.729
Exercisable at the end of the financial year	976,180	0.730	2,660,454	0.697

Exercised during the financial year

No options were exercised during the financial year:

The following options were exercised during the previous financial year:

Issued	Number Exercised	Exercise Date	Share Price at Exercise Date \$
30-Jun-04	26,000	07-Aug-08	0.760
12-Nov-03	500,000	02-Oct-08	0.800
20-Dec-03	500,000	19-Dec-08	0.500
30-Jun-04	30,000	15-May-09	0.500
30-Jun-04	186,668	30-Jun-09	0.455
	1,242,668		

Balance at the end of the financial year

The share options outstanding at the end of the financial year are as follows:

Issued	No	Vested	Unvested	Expiry Date	Exercise Price \$	Contractual Life (days)
		No.	No.			
Issued 29 May 2006	242,857	242,857	-	2011	\$0.66	333
Issued 7 March 2007	566,665	566,665	-	2012	\$0.69	616
Issued 4 October 2007	196,666	133,326	63,340	2012	\$0.97	827
Issued 26 October 2007	46,666	33,332	13,334	2012	\$0.97	849
	1,052,854	976,180	76,674			

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$	\$
7. REMUNERATION OF AUDITORS		
Auditor of the Parent Entity		
Auditing of the financial report	225,000	225,750
Other services – Other	-	550
	225,000	226,300
Other Auditors		
Auditing the financial report	337,622	335,353
Other services – Taxation	11,373	14,982
	348,995	350,335
	573,995	576,635

The auditor of eServGlobal is Deloitte Touche Tohmatsu in Australia and the Other Auditors are all affiliated firms of Deloitte Touche Tohmatsu. Fees paid to other auditors are charged in respective foreign currencies and are subject to exchange rate fluctuations.

8. ASSETS CLASSIFIED AS HELD FOR SALE

On 26 May 2010, the company entered into a conditional agreement to sell its USP assets and undertakings to Oracle Australia Pty Limited. The major classes of USP assets and liabilities at the end of the reporting period are as follows:

	2010	2009
	\$'000	\$'000
Property, plant and equipment	550	-
Prepayments	184	-
Goodwill	26,794	-
USP assets classified as held for sale	27,528	-
Provisions	(241)	-
Deferred income	(509)	-
USP liabilities classified as held for sale	(750)	-
Net assets of USP classified as held for sale	26,778	-

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	2010 \$'000	2009 \$'000
9. CURRENT TRADE AND OTHER RECEIVABLES		
Trade receivables (i)	22,319	47,973
Less : Allowance for doubtful debts	(1,208)	-
	<u>21,111</u>	<u>47,973</u>
Prepayments	1,454	2,625
Goods and services tax receivable	814	1,602
Work in progress (Note 10)	7,467	10,203
Deposits	297	1,090
	<u>31,143</u>	<u>63,493</u>

- (i) The average credit period on sales of goods and rendering of services is 60 days (2009: 60 days). Historically, the Group has had no requirement to charge interest on overdue receivables, although customer contractual terms include the ability to do this. Objective evidence is determined by reference to knowledge of disputes at balance date, where applicable. The Group also considers any change in the quality of the trade receivable from the date credit was initially granted up to the reporting date.

Before accepting any new customers, the Group obtains, where considered necessary, third party references to assess the potential customer's credit worthiness. The majority of the Group's outstanding trade receivables consist of large Telecommunication companies and are considered high quality creditworthy customers.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$8.0 million (2009: \$17.3 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average days overdue for these receivables is 92 days (2009: 64 days).

	Consolidated	
	2010 \$'000	2009 \$'000
Ageing of past due but not impaired		
By up to 30 days	2,953	7,878
30 - 90 days	1,675	5,569
90 - 120 days	185	487
120 + days	3,182	3,367
	<u>7,995</u>	<u>17,301</u>
Movement in allowance for doubtful debts		
Balance at the beginning of the year	-	-
Impairment losses recognised on receivables	1,208	711
Amounts written off as unrecoverable	-	(711)
Balance at the end of the year	<u>1,208</u>	<u>-</u>

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	2010	2009
	\$'000	\$'000
10. WORK IN PROGRESS		
Contract work in progress	40,047	47,707
Progress billings and advances received	(37,848)	(44,723)
	<u>2,199</u>	<u>2,984</u>
Recognised and included in the financial statements as amounts due:		
From customers:		
Current (note 9)	7,467	10,203
To customers as deferred income:		
Current (note 18)	(5,268)	(7,219)
	<u>2,199</u>	<u>2,984</u>
	Consolidated	
	2010	2009
	\$'000	\$'000
11. CURRENT INVENTORIES		
Finished goods	<u>853</u>	<u>623</u>

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Office furniture and fittings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – at cost				
Balance at 1 July 2008	2,158	438	14,115	16,711
Additions	369	40	1,750	2,159
Disposals	(26)	(218)	(672)	(916)
Net foreign currency	57	2	242	301
Balance at 30 June 2009	2,558	262	15,435	18,255
Additions	557	3	1,654	2,214
Disposals	(657)	-	(1,530)	(2,187)
Reclassified as held for sale	(224)	(249)	(2,623)	(3,096)
Net foreign currency	(345)	4	(2,084)	(2,425)
Balance at 30 June 2010	1,889	20	10,852	12,761
Accumulated depreciation				
Balance at 1 July 2008	1,722	388	8,746	10,856
Depreciation expense	599	19	2,666	3,284
Disposal	(26)	(218)	(640)	(884)
Net foreign currency	22	2	84	108
Balance at 30 June 2009	2,317	191	10,856	13,364
Depreciation expense	302	19	2,364	2,685
Disposal	(607)	-	(1,517)	(2,124)
Reclassified as held for sale	(178)	(208)	(2,160)	(2,546)
Net foreign currency	(316)	2	(1,375)	(1,689)
Balance at 30 June 2010	1,518	4	8,168	9,690
Net book value				
As at 30 June 2009	241	71	4,579	4,891
As at 30 June 2010	371	16	2,684	3,071

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
13. GOODWILL		
Gross carrying amount and net book value		
Balance at the beginning of the financial year	48,066	46,804
Reclassified as held for sale	(26,794)	-
Translation effects of foreign currency exchange movements	(1,869)	1,262
Balance at end of financial year	19,403	48,066
Accumulated impairment losses		
Balance at the beginning of the financial year	(12,583)	-
Impairment losses for the year (i)	-	(12,501)
Translation effects of foreign currency exchange movements	-	(82)
Balance at end of financial year	(12,583)	(12,583)
Net book value		
At the beginning of the financial year	35,483	46,804
At the end of the financial year	6,820	35,483

(i) During the financial year, the Group assessed the recoverable amount of goodwill based on the methodology below, and determined that no further impairment was required (2009: \$12,501 thousand). The recoverable amount was assessed by reference to the cash-generating unit's value in use. A discount factor of 22.9% per annum (2009: 23.01% per annum) was applied in the value in use model. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to a single cash generating unit, being the entire business. This is because substantially the entire product list of the combined entity is available for sale to, and being sold to, substantially the entire customer base of the combined entity.

The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a 5 year period, and a terminal value based upon an extrapolation of cash flows beyond the 5 year period using an estimated growth rate of 2% per annum.

The key assumptions used in the value-in-use calculation for the cash generating unit are as follows:

- Sales are expected to grow over the forecast period at 5% - 10%.
- A gross margin of 51% over the forecast period: this is based upon average gross margins achieved in the period immediately before the forecast period.
- In performing the value-in-use calculations, the company has applied post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rate is 22.9% per annum.
- Operating expenses are expected to increase steadily over the forecast period, but at a rate lower than the sales growth.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

14. INTANGIBLES

	Consolidated			
	Software & documentation acquired \$'000	Customer relationships acquired \$'000	Software development \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2008	18,009	22,500	-	40,509
Internally developed	-	-	4,035	4,035
Effects of foreign currency exchange movements	510	842	(253)	1,099
Balance at 30 June 2009	18,519	23,342	3,782	45,643
Internally developed	-	-	2,195	2,195
Effects of foreign currency exchange movements	(907)	(2,014)	(665)	(3,586)
Balance at 30 June 2010	17,612	21,328	5,312	44,252
Accumulated Amortisation and impairment				
Balance at 1 July 2008	(9,507)	(8,458)	-	(17,965)
Amortisation expense	(4,118)	(3,665)	-	(7,783)
Effects of foreign currency exchange movements	259	229	-	488
Balance at 30 June 2009	(13,366)	(11,894)	-	(25,260)
Amortisation expense	(3,493)	(3,109)	(275)	(6,877)
Effects of foreign currency exchange movements	312	278	22	612
Balance at 30 June 2010	(16,547)	(14,725)	(253)	(31,525)
Net Book Value				
As at 30 June 2009	5,153	11,448	3,782	20,383
As at 30 June 2010	1,065	6,603	5,059	12,727

Significant intangible assets

The carrying amount of 'Software & documentation acquired' of \$1.065 million (2009: \$5.153 million) will be fully amortised in 1 year (2009: 2 years).

The carrying amount of 'Customer relationships acquired' of \$6.603 million (2009: \$11.448 million) will be fully amortised in 3 years (2009: 4 years).

'Software development' costs of \$5.312 million is amortised over three years.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010 \$'000	2009 \$'000
15. CURRENT TRADE AND OTHER PAYABLES		
Trade payables (i)	3,365	5,587
Accruals and other payables	9,984	26,376
	<u>13,349</u>	<u>31,963</u>

- (i) The average credit period on purchases of certain goods is 45 days (2009: 45 days). No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2010	2009
	\$'000	\$'000
16. BORROWINGS		
Unsecured		
Bank overdrafts	1,794	-
	<u>1,794</u>	<u>-</u>
Secured		
Bank overdrafts (i)	4,000	-
	<u>4,000</u>	<u>-</u>
	<u>5,794</u>	<u>-</u>
Current	5,794	-
Non-current	-	-
	<u>5,794</u>	<u>-</u>

- (i) Bank overdraft is secured by way of fixed and floating charge over the whole of the assets and undertaking of eServ Global Limited.

17. PROVISIONS

	Employee leave provisions \$'000	Retirement contribution plans (i) \$'000	Total \$'000
Consolidated			
Balance as at 30 June 2009	5,562	537	6,099
Additional provisions recognised	328	-	328
Utilised during the period	(1,526)	(32)	(1,558)
Reclassified as held for sale	(241)	-	(241)
Balance as at 30 June 2010	<u>4,123</u>	<u>505</u>	<u>4,628</u>
Current	4,123	-	4,123
Non-current	-	505	505
	<u>4,123</u>	<u>505</u>	<u>4,628</u>

- (i) The retirement contribution plan is the statutory termination payment due to eligible employees in France.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
18. OTHER CURRENT LIABILITIES		
Deferred income (Note 10)	5,268	7,219
	<hr/>	<hr/>
19. ISSUED CAPITAL	2010	2009
	\$'000	\$'000
196,847,706 fully paid ordinary shares (2009: 196,847,706)	123,946	123,946
	<hr/>	<hr/>

	2010		2009	
	No.	\$	No.	\$
	'000	'000	'000	'000
Fully Paid Ordinary Shares				
Balance at the beginning of financial year	196,848	123,946	171,009	115,325
Issue of shares	-	-	24,596	8,117
Issue of shares under the executive and employee share option plan (Note 6)	-	-	1,243	343
Transfer from employee equity-settled benefits reserve	-	-	-	161
Balance at the end of financial year	<hr/> 196,848	<hr/> 123,946	<hr/> 196,848	<hr/> 123,946

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share Options

In accordance with the terms of the executive and employee share option plan as at 30 June 2010, employees are entitled to exercise options granted and thus acquire shares in the company. Details of the executive and employee share option plan are contained in note 6 to the financial statements.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
20. RESERVES		
Foreign currency translation	(2,463)	3,323
Employee equity-settled benefits	897	1,088
	<u>(1,566)</u>	<u>4,411</u>
Foreign currency translation reserve		
Balance at beginning of financial year	3,323	596
Translation of foreign operations	(5,786)	2,727
Balance at the end of the financial year	<u>(2,463)</u>	<u>3,323</u>
<p>Exchange differences relating to the translation from Euros, being the functional currency of the eServGlobal SAS and its controlled entities, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.</p>		
Employee equity-settled benefits reserve		
Balance at beginning of financial year	1,088	1,042
Share based payments	(191)	207
Transfer to issued share capital (note 19)	-	(161)
Balance at the end of the financial year	<u>897</u>	<u>1,088</u>

The employee equity-settled benefits reserve arises on the grant of share options to executives and employees under the executive and employee share option plan. Amounts are transferred out of the reserve and into issued capital when options are exercised. Further information about share-based payments to executives and employees is contained in note 6 to the financial statements.

	2010	2009
	\$'000	\$'000
21. ACCUMULATED LOSSES		
Balance at beginning of the financial year	(33,338)	6,536
(Loss) for the year attributable to equity holders of the parent	(32,443)	(34,743)
Dividends paid (note 23)	-	(5,131)
Balance at end of financial year	<u>(65,781)</u>	<u>(33,338)</u>

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated	
	2010 Cents Per Share	2009 Cents Per Share
22. EARNINGS/(LOSS) PER SHARE		
Basic earnings/(loss) per share	(16.5)	(20.1)
Diluted earnings/(loss) per share	(16.5)	(20.1)
Basic earnings/(loss) per share		
The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share are as follows:		
	2010	2009
	\$'000	\$'000
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(32,443)	(34,743)
	2010	2009
	No '000	No '000
Weighted average number of ordinary shares	196,848	172,688
Diluted earnings/(loss) per share		
The earnings/(loss) and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings/(loss) per share are as follows:		
	2010	2009
	\$'000	\$'000
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(32,443)	(34,743)
	2010	2009
	No '000	No '000
Weighted average number of ordinary shares and potential ordinary shares (a)	196,848	172,688
(a) Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings/(loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share as follows:		
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings/(loss) per share	196,848	172,688

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	Consolidated			
	2010		2009	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
23. DIVIDENDS				
Recognised Amounts				
<i>Final dividend</i>				
Fully Paid Ordinary Shares unfranked	-	-	3.0	5,131
Unrecognised Amounts				
<i>Final dividend</i>				
Fully Paid Ordinary Shares unfranked	-	-	-	-

In respect of the current financial year no dividend has been declared.

24. LEASES

Operating Leases

Leasing arrangements

Operating leases relate to office facilities with lease terms of up to five years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated	
	2010 \$'000	2009 \$'000
Non-cancellable operating leases		
Not longer than 1 year	4,319	5,128
Longer than 1 year and not longer than 5 years	11,606	14,193
Longer than 5 years	-	2,776
	<u>15,925</u>	<u>22,097</u>

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

	COUNTRY OF INCORPORATION	Ownership Interest	
		2010 %	2009 %
25. SUBSIDIARIES			
Parent Entity			
eServGlobal Limited	Australia (vii) (viii)		
Subsidiary			
eServGlobal Holdings SAS	France (i)	100	100
eServGlobal SAS	France (i) (iii)(ix)	100	100
PT eServGlobal Indonesia	Indonesia (i) (x)	100	100
eServGlobal (Beijing) Telecommunication Technical Services, Co Ltd	China (i) (x)	100	100
eServGlobal Telecom Romania Srl	Romania (i)(x)	50	50
eServGlobal Telecom Serviços do Brasil Ltda	Brazil (i) (x)	100	100
eServGlobal (NZ) Pty Limited	Australia (ii) (vi) (vii)	100	100
eServGlobal (HK) Limited	Hong Kong (i)	100	100
eServGlobal NVSA	Belgium (i)	100	100
eServGlobal UK Limited	United Kingdom (xi)	100	100
eServ UK Limited	United Kingdom(v)	100	100
eServGlobal Singapore Pte. Ltd.	Singapore (i)	100	100
eServGlobal Inc	United States of America (iv)	100	100
eServGlobal Aust Pty Limited (formerly Integrator Pty Limited)	Australia (v) (vi) (vii)	100	100

- (i) These subsidiaries carry on business in their country of incorporation; France, Indonesia, China, Romania, Brazil, Hong Kong, Belgium and Singapore.
- (ii) eServGlobal (NZ) Pty Ltd carries on business in Australia and has a branch which carries on business in New Zealand.
- (iii) eServGlobal SAS carries on business in France and has branches or representative office which carry on business in Egypt, Poland, India and the United Arab Emirates.
- (iv) This subsidiary did not trade during the current financial year and is relieved from the requirement to prepare, audit and lodge a financial report.
- (v) This subsidiary did not trade in the year ended 30 June 2010.
- (vi) These subsidiaries are classified as small proprietary companies and, in accordance with the Corporations Act 2001, are relieved from the requirement to prepare, audit and lodge a financial report.
- (vii) These companies are members of the Australian tax consolidated group.
- (viii) eServGlobal Limited is the head entity within the tax consolidated group.
- (ix) This company is a subsidiary of eServGlobal Holdings SAS
- (x) These companies are subsidiaries of eServGlobal SAS
- (xi) eServGlobal UK Limited carries on business in the United Kingdom and has a branch which carries on business in the Netherlands.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

26. SEGMENT INFORMATION

The Group has adopted AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

The Group operates in a single segment being the telecommunications software solutions business.

Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	2010	2009
	\$'000	\$'000
Hardware	4,565	6,444
Licences	21,178	67,991
Services	18,776	25,261
Support	33,496	47,550
	<u>78,015</u>	<u>147,246</u>

Geographical information

The Group's revenue from continuing operations from external customers are detailed below based on the external customers' domiciles.

	2010	2009
	\$'000	\$'000
Middle East	21,393	83,912
Asia Pacific	14,493	27,474
Europe	16,038	22,285
Africa	23,549	5,862
Central and South America	2,542	7,713
	<u>78,015</u>	<u>147,246</u>

Information about major customers

Included in the Group's revenue from continuing operations from external customers are revenues of approximately \$27.6 million (2009 : \$57.6 million) which arose from sales to the Group's largest customers.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

27. RELATED PARTY DISCLOSURES

a) Equity Interests in Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 25 to the financial statements.

b) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 5 to the financial statements.

c) Key management personnel equity holdings

Fully paid ordinary shares issued by eServGlobal Limited

	Balance at 1 July	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.
2010				
D Smart	-	-	40,000	40,000
R Mathews ⁽ⁱ⁾	17,529,396	-	-	17,529,396
C Halliday ⁽ⁱⁱ⁾	24,595,440	-	-	24,595,440
F Barrault	500,000	-	-	500,000
A Eisen ⁽ⁱⁱⁱ⁾	38,301,296	-	15,000	38,316,296
M Jefferies ⁽ⁱⁱⁱ⁾	38,301,296	-	15,000	38,316,296
I Buddery ^(iv)	15,055,982	-	(15,055,982)	-
A Gilbert ^(vi)	90,000	-	(90,000)	-
J Pratt ^(vii)	500,000	-	(500,000)	-
2009				
I Buddery ^(iv)	15,055,982	-	-	15,055,982
F Barrault	-	500,000	-	500,000
A Eisen ^(vi)	-	-	38,301,296	38,301,296
A Gilbert	90,000	-	-	90,000
M Jefferies ^(vi)	-	-	38,301,296	38,301,296
JP Labat ^(v)	99,464	-	-	99,464
G Lemoing ^(v)	99,464	-	-	99,464
J Pratt	500,000	-	-	500,000
J M Hartigan ^(viii)	10,000	-	(10,000)	-

- (i) Has the power to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates of the 17,322,713 ordinary shares held by MHB Holdings Pty Ltd and 206,683 shares held by Paua Pty Ltd.
- (ii) Has the power to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates of the 17,322,713 ordinary shares held by MHB Holdings Pty Ltd and 7,272,727 shares held by National Nominees Limited.
- (iii) Shares held by Guinness Peat Group of which Anthony Eisen and Michael Jefferies are both executives.
- (iv) Relevant interest in shares held by Wallaby Hill Pty Ltd.
- (v) Shares held by a company in trust.
- (vi) A Gilbert ceased as a director on 1 October 2009.
- (vii) J Pratt resigned on 23 July 2009.
- (viii) JM Hartigan resigned on 11 July 2008.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

27. RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings (continued)

Options issued by eServGlobal Limited to Executives

	Balance at 1 July	Granted as compen- sation	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2010									
JC Bouillon	50,000	-	-	-	50,000	50,000	-	50,000	16,667
L Lafarge ⁽ⁱⁱ⁾	300,000	-	-	(300,000)	-	-	-	-	-
2009									
JP Labat	242,857	-	-	-	242,857	242,857	-	242,857	-
G Lemoing ⁽ⁱⁱⁱ⁾	242,857	-	-	(242,857)	-	-	-	-	-
L Lafarge	300,000	-	-	-	300,000	100,000	-	100,000	100,000
J M Hartigan ⁽ⁱ⁾	500,000	-	-	(500,000)	-	-	-	-	-

(i) J M Hartigan resigned on 11 July 2008

(ii) L Lafarge resigned on 23 July 2009.

(iii) G Lemoing's employment concluded on 15 May 2009.

Each executive share plan option converts into one ordinary share of eServGlobal Limited when the option is exercised and the exercise price paid. When options are issued, no amounts are paid or payable by the recipient of the option (Refer Note 6).

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

27. RELATED PARTY DISCLOSURES (continued)

d) Non executive directors option holdings

	Balance at 1 July	Granted as compen- sation	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2010									
A Gilbert ⁽ⁱ⁾	500,000	-	-	(500,000)	-	-	-	-	-
2009									
F Barrault	500,000	-	(500,000)	-	-	-	-	-	-
A Gilbert	500,000	-	-	-	500,000	333,333	-	333,333	166,666

(i) A Gilbert ceased as a director on 1 October 2009.

Each executive share plan option converts into 1 ordinary share of eServGlobal Limited when the option is exercised and the exercise price paid. When options are issued, no amounts are paid or payable by the recipient of the option (Refer Note 6).

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

27. RELATED PARTY DISCLOSURES (continued)

	Consolidated		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
e) Other transactions with key management personnel				
The profit from operations includes the following items of expenditure that resulted from transactions, other than compensation or equity holdings, with key management personnel or their related entities:				
Graham Libbesson (a non-executive director) is a director of the company Unorfadox Pty Limited which provided services in relation to the group's taxation position, on normal commercial terms.	-	4,515	-	4,515

f) Parent Entities

The parent and ultimate parent entity in the Group is eServGlobal Limited.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

28. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2010	2009
	\$'000	\$'000
a) Reconciliation of cash		
For the purposes of the statement of cash flows, 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 statement of financial position as follows:		
Cash and cash equivalents	2,225	14,135
Bank overdraft	(5,794)	-
	<u>(3,569)</u>	<u>14,135</u>
b) Financing facilities		
Unsecured bank facilities		
▪ amount used	1,794	-
▪ amount unused	2,506	-
	<u>4,300</u>	<u>-</u>
Secured bank facilities		
▪ amount used	4,000	-
▪ amount unused	2,500	5,000
	<u>6,500</u>	<u>5,000</u>

Total bank overdraft of \$5,794,000 as at 30 June 2010 was fully repaid on 4th August 2010.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

28. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
c) Reconciliation of profit for the year to net cash flows from operating activities		
(Loss)/profit for the year	(32,286)	(34,525)
Interest received	-	(271)
Depreciation of non-current assets	2,685	3,284
Amortisation of non-current assets	6,877	7,783
Impairment of goodwill	-	12,501
Loss on disposal of non-current assets	62	32
Equity settled share-based payments	(191)	207
Increase/(decrease) in current income tax balances	2,076	(969)
Increase/(decrease) in deferred tax balances	(2,934)	3,316
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
- (Increase)/decrease in assets:		
- Receivables	32,166	16,627
- Inventories	(231)	833
- Other assets	-	5,077
Increase/(decrease) in liabilities:		
- Trade payables	(18,594)	(15,199)
- Provisions	(1,229)	(577)
- Other liabilities	(1,442)	(213)
Net cash used in operating activities	<u>(13,041)</u>	<u>(2,094)</u>

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

29. FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

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

b) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. At 30 June 2010 the Group had borrowings of \$4.000 million against formalised available facilities disclosed in note 28 (2009: nil), and a further \$1.794m of borrowings against an uncommitted overdraft facility of €3m (2009: nil) Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses, tax liabilities and development activities.

c) Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and exchange rate markets and seeks to minimise potential adverse effects on the Group's performance. The Group seeks to minimise the effect of foreign currency risks using derivative financial instruments detailed at 29 (e). A risk management framework, including the policy on use of financial derivatives is governed by the Board of Directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

d) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group has entered into forward foreign exchange contracts to cover foreign currency receipts arising from specific customer orders. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

e) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. Exchange rate exposures arising from specific customer orders are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities holding the monetary assets and liabilities are as follows:

	Assets		Liabilities	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
US dollars	5,330	8,498	322	840
Euro	694	188	80	-

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

29. FINANCIAL INSTRUMENTS (continued)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover foreign currency receipts arising from specific customer orders. The Group has entered into fixed price contracts to supply Software and Services and as a consequence has, in certain cases, entered into forward foreign exchange contracts (for terms not exceeding 12 months) to hedge the exchange risk arising from these transactions.

The following table details the forward foreign currency contract outstanding as at the reporting date:

Outstanding Contacts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2010	2009	2010 USD'000	2009 USD'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Sell US Dollars								
Less than 3 months	0.8877	0.7842	1,598	3,686	1,800	4,699	(65)	162
3 to 6 months	0.8795	0.8303	728	869	828	1,047	(23)	(23)
7 to 9 months	0.8711	0.8838	893	79	1,025	90	(18)	(8)
			3,219	4,634	3,653	5,836	(106)	131

Categories of financial instruments	Consolidated	
	2010 \$'000	2009 \$'000
Financial Assets:		
Cash and cash equivalents	2,225	14,135
Loans and receivables		
Receivables	21,111	47,973
Deposits	297	1,090
Financial Liabilities:		
Trade payables (at amortised cost)	3,365	5,587
Bank borrowings	5,794	-

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

29. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies, which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (arising from monetary assets and liabilities held at balance date in a currency different to the functional currency of the respective entities holding the assets or liabilities) and adjusts their translation at a period end for a 10% change in foreign currency rates.

	USD Impact	
	2010	2009
	\$'000	\$'000
Profit or loss	556	810

	Euro Impact	
	2010	2009
	\$'000	\$'000
Profit or loss	64	2

A positive number indicates an increase in profit or loss with the Australian Dollar strengthening against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit, and the amounts above would be negative.

In management's opinion, the above sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

In addition, the Group includes certain subsidiaries whose functional currencies are different to the Group's presentation currency. The main operating entity outside of Australia is based in France. This entity transacts primarily in its functional currency, the Euro, and does not have significant foreign currency exposures, because of the hedging policies outlined above. As stated in the Group's Accounting Policies Note 1(e), on consolidation the assets and liabilities of these entities are translated into Australian dollars at exchange rates prevailing on the balance date. The income and expenses of these entities is translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The Group's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the Euro.

f) Interest Rate Risk Management

The Group's exposure to interest rate risk at 30 June 2010 is limited to the interest generated on deposits balances invested during the course of the year which attract a variable interest rate and yielded a Nil% (2009: 2.9%) weighted average interest rate for the financial year.

Interest rate sensitivity analysis

The Group's sensitivity to interest rates is restricted only to surplus cash placed on short-term deposit or short-term drawings on facilities utilised to manage operational cash requirements across the entities within the group.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

29. FINANCIAL INSTRUMENTS (continued)

g) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a relatively small number of closely managed customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable as part of the overall client management process.

The carrying amount of the financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

h) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000
Consolidated					
2010					
Trade payables - Non- interest bearing	-	2,489	876	-	-
Bank borrowings	6.63%	-	5,854	-	-
2009					
Trade payables - Non- interest bearing	-	1,500	4,087	-	-

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

29. FINANCIAL INSTRUMENTS (continued)

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period based on the earliest date on which the Group can expect to receive payment. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	5+ years \$'000
Consolidated						
2010						
Cash and cash equivalents	-	2,225	-	-	-	-
Deposits - Non-interest bearing	-	-	-	297	-	-
Trade receivables - Non-interest bearing	-	11,619	5,849	3,643	-	-
		<u>13,844</u>	<u>5,849</u>	<u>3,940</u>	<u>-</u>	<u>-</u>
2009						
Cash and cash equivalents	2.42	14,135	-	-	-	-
Deposits- Non-interest bearing	-	-	-	1,090	-	-
Trade receivables - Non-interest bearing	-	11,483	23,930	12,560	-	-
		<u>25,618</u>	<u>23,930</u>	<u>13,560</u>	<u>-</u>	<u>-</u>

i) Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;
- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

30. PARENT ENTITY INFORMATION

30.1 Financial position	2010	2009
	\$'000	\$'000
Assets		
Current assets	22,844	24,630
Non-current assets	41,177	92,389
Total assets	<u>64,021</u>	<u>117,019</u>
Liabilities		
Current liabilities	7,087	3,159
Non-current liabilities	170	390
Total liabilities	<u>7,257</u>	<u>3,549</u>
Equity		
Issued capital	123,946	123,946
Accumulated losses	(68,079)	(11,564)
Reserves		
Employee equity-settled benefits	897	1,088
Total equity	<u>56,764</u>	<u>113,470</u>
30.2 Financial performance	Year Ended	Year Ended
	30 June 2010	30 June 2009
	\$'000	\$'000
Loss for the year	(56,515)	(9,041)
Other comprehensive income	-	-
Total comprehensive income	<u>(56,515)</u>	<u>(9,041)</u>

31. SUBSEQUENT EVENTS

On 26 May 2010, the company entered into a conditional agreement to sell its USP assets and undertakings to Oracle Australia Pty Limited.

The sale was subject to numerous conditions including shareholders' approval, which was obtained on 30 June 2010. The sale transaction was not completed as at 30 June 2010 and accordingly, the assets and related liabilities attributable to the sale have been classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" in the Consolidated Statement of Financial Position as at 30 June 2010 (refer Note 8).

The sale was completed subsequent to balance date on 3 August 2010 and will be recognised during the financial year ending 30 June 2011. The total proceeds on sale after purchase price adjustments was \$103,055,041 of which 77% was received on 4th August 2010 and the balance of 23% of the total sales proceeds held in escrow for a period of 2 years from completion date. 11.5% of the sale proceeds will be released from escrow 12 months from the completion date and the balance of 11.5% is to be released 24 months from the completion date.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2010

32. ADDITIONAL COMPANY INFORMATION

eServGlobal Limited is a listed public company, incorporated in Australia and operating in Australia, Europe, the Middle East, North Africa, Asia/Pacific and the Americas.

Registered Office

Suite 5, 30 Florence Street
Newstead QLD 4006
Australia
Tel: +61 7 3302 0194

eServGlobal Limited

Additional Securities Exchange Information as at 13 September 2010

Ordinary share capital

196,847,706 fully paid ordinary shares are held by 1,219 individual shareholders on the Australian Securities Exchange and 78 individual depository interest holders on the London Stock Exchange (AIM).

All issued ordinary shares carry one vote per share.

Options

33 individual option holders hold 914,521 options

Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully Paid Ordinary Shares Listed on ASX	Depository Interests Listed on LSE (AIM)	Options- not listed
1-1,000	125	6	-
1,001-5,000	471	6	-
5,001-10,000	228	8	12
10,001-100,000	341	34	20
100,001-Over	58	24	1
Total	1,219	78	61
Holding less than a marketable parcel	62		

Substantial shareholders

	Number	Percentage
Guinness Peat Group plc and its subsidiaries	38,316,296	19.46%
Gartmore Investment Limited	36,363,462	18.47%
Legal and General Investment Management Plc	23,675,900	12.03%
MHB Holdings Pty Ltd	17,322,713	8.80%
National Nominees Limited	13,705,046	6.96%

eServGlobal Limited

Additional Securities Exchange Information as at 13 September 2010

Twenty largest holders of quoted equity securities Australian Securities Exchange London Stock Exchange (AIM)

Ordinary Shareholders	Number	% of capital	Depository Interest Holders	Number	% of capital
GPG NOMINEES PTY LIMITED	37,316,296	18.96	VIDACOS NOMINEES LIMITED	27,723,343	14.08
MHB HOLDINGS PTY LTD	17,322,713	8.80	NORTRUST NOMINEES LIMITED	14,359,467	7.29
NATIONAL NOMINEES LIMITED	13,705,046	6.96	NORTRUST NOMINEES LIMITED	8,294,478	4.21
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,641,979	2.36	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	3,310,938	1.68
LINK 405 PTY LTD	4,506,536	2.29	CREDIT AGRICOLE CHEUVREUX	3,062,366	1.56
BT PORTFOLIO SERVICES LIMITED <MCMANAMEY SUPER FUND A/C>	2,906,272	1.48	THE BANK OF NEW YORK (NOMINEES) LIMITED	3,000,000	1.52
PATRICK MCGRORY	1,730,426	0.88	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	2,577,654	1.31
ANZ NOMINEES LIMITED	1,650,602	0.84	PERSHING NOMINEES LIMITED	2,350,150	1.19
MR IAN FRASER MCMANAMEY	1,591,382	0.81	CHASE (GA GROUP) NOMINEES LIMITED	2,191,965	1.11
JAMES CONE	1,522,008	0.77	MORSTAN NOMINEES LIMITED	1,852,000	0.94
NBT PTY LIMITED	1,200,000	0.61	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	1,456,406	0.74
MR STEPHEN JOHN BALDWIN <SUPERANNUATION FUND ACCOUNT>	975,000	0.50	BNY GIL CLIENT ACCOUNT (NOMINEES) LIMITED	1,210,043	0.61
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	924,401	0.47	HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	1,000,000	0.51
SANDHURST TRUSTEES LTD	914,654	0.46	PERSHING NOMINEES LIMITED	950,000	0.48
FORBAR CUSTODIANS LIMITED	613,454	0.31	CORPORATE SERVICES (TD WATERHOUSE) NOMINEES LIMITED	867,500	0.44
QUEENSLAND INVESTMENT CORPORATION	603,271	0.31	TD WATERHOUSE NOMINEES (EUROPE) LIMITED	586,471	0.30
MR WALTER FREDERICK HOLLAND	600,000	0.30	BNY NORWICH UNION NOMINEES LIMITED	331,170	0.17
JANVIN PTY LTD	600,000	0.30	PERSHING NOMINEES LIMITED	325,000	0.17
CITICORP NOMINEES PTY LIMITED	581,452	0.30	BARCLAYSHARE NOMINEES LIMITED	303,309	0.15
EQUITY TRUSTEES LIMITED	542,250	0.28	CHEVIOT CAPITAL (NOMINEES) LTD	280,000	0.14

eServGlobal Limited

Additional Securities Exchange Information as at 13 September 2010

Secretary

Jason Lilienstein

Chief Financial Officer

Stephen Blundell

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Australia

Stock Exchange listings

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