eServGlobal Limited

ABN 59 052 947 743

Financial report for the financial year ended 31 October 2012

Annual financial report
For the financial year ended
31 October 2012

Contents

Directors' report

The directors of eServGlobal Limited submit herewith the financial report for the financial year ended 31 October 2012.

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

Name	Particulars
Richard Mathews	Non-executive Chairman. Richard is the Non-Executive Chairman and former Chief Executive Officer of eServGlobal. He has over 20 years' management experience in telecommunications, software and investment. He is a founding partner of MHB Holdings. Previously, Mr. Mathews was CEO of Mincom, Australia's largest enterprise software company, increasing the share price from $2.50 to $8.77 in a two-year period. He has also held the role of Senior Vice President, International at J.D. Edwards and is currently managing director of listed company RungePincockMinarco Limited. He holds a Bachelor of Commerce and a Bachelor of Science and is an Associate Chartered Accountant. Richard was appointed as a director in July 2009.
David Smart	Non-executive Director and Chairman of the Audit Committee. 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. 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 Practicing Accountants. David has been a member of the Board since July 2000.
François Barrault	Non-executive Director and Chairman of the Remuneration and Nomination Committee. François is the founder and chairman of FDB Partners, an investment and consulting firm that specializes in technology, renewable energy and publishing. He has previously served as CEO of BT Global services, President of BT International, and as a member of the board and the operating committee of BT Group PLC. His extensive experience includes key roles within Lucent Technologies such as President, Mobility International and President and CEO for the EMEA region. Prior to Lucent, he worked at Ascend Communications, where he held the position of Senior Vice President, International. He has also held executive positions within IBM, Computervision/Prime and Stratus and was co-founder and Chairman of the Board of Astria, an e-commerce software supplier. He 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 has been a member of the Board since March 2003.

Directors' report

James Brooke	Non-executive Director. James is a Chartered Accountant with experience in strategic consulting, finance and investment. He is currently a fund manager at Henderson in the Henderson Volantis Small Cap Team with responsibility for active corporate engagement. He previously worked in the private equity industry for ten years, initially with 3i in the London buyout team and more recently as a venture capitalist with Quester where he specialized 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. He is a non-executive Director of Lochard Energy Group PLC and Renovo PLC. He holds a BA in Mathematics from Oxford University and an MSc in Telecommunications from University College London.
Craig Halliday	Executive Director. Craig is the Chief Executive Officer and Managing Director. Prior to eServGlobal, Craig served as Executive President of Field Operations (COO) at Mincom, where he achieved record-breaking growth in both revenues and profitability. He has worked in the high-tech industry as an executive and investor since 1996 and has held senior roles including President of PeopleSoft Japan and various management positions within J.D. Edwards. Craig holds a Bachelor of Science from Edinburgh University and is a member of the Institute of Chartered Accountants in England and Wales.
Stephen Baldwin	Non-executive Director Stephen is a qualified chartered accountant with over 25 years of business experience. He commenced his career with Price Waterhouse and had a total of 10 years with the firm in three different countries. He was subsequently employed in the funds management industry for 12 years, initially with Hambro-Grantham and then with Colonial First State (where he was that group's Head of Private Equity from 2000 to 2006). He has extensive Board experience, primarily with unlisted companies but was also the sole executive director of a listed investment vehicle for a number of years. Other current roles include advising one of Australia's larger superannuation funds on their global private equity program. Stephen holds a Bachelor of Commerce (Honours) from the University of Cape Town and is a member of the Institute of Chartered Accountants of Australia. Stephen was appointed a director and a member of the Audit and Remuneration and Nomination Committees on 25 November 2011.

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
Richard Mathews	RungePincockMinarco Limited	28 August 2012 - Ongoing
David Smart	Saunders International Limited	22 October 2007 - Ongoing
James Brooke	Lochard Energy Group plc	14 December 2010- Ongoing
	Renovo plc	30 June 2011- Ongoing

Company Secretary

Tom Rowe has served as Company Secretary of eServGlobal since 6 April 2011. He is a Corporate and Commercial Lawyer practising with Simpsons Solicitors with a specialty in corporate transactions, corporate governance and listed company secretarial practice. Mr Rowe holds a BA LLB (Hons) from the University of Adelaide and is an Associate of the Chartered Institute of Secretaries.

Principal activities

eServGlobal Limited specializes in Mobile Money solutions and Value-Added Services (VAS), to help Mobile 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 95 customers in over 50 countries.

For more than 25 years mobile, fixed, Internet and telecom providers have used eServGlobal solutions 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 Money Services and International Remittance Services. eServGlobal’s HomeSend solution is the only mobile-centric international remittance hub to gain endorsement from the GSM Association.

eServGlobal’s Value-Added Services in promotions, loyalty and messaging enable service providers to engage with their subscribers in a personalized and dynamic manner.

To reduce time-to market and to meet the needs of operators and banks, eServGlobal provides multiple licensing alternatives as well as SaaS-based products and services.

Directors' report

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

The consolidated entity achieved sales revenue for the year of $28.1million (four month period to 31 October 2011 $7.0 million).

The EBITDA loss was $8.7 million after non-recurring costs of $2.9 million, foreign exchange losses of $3.4 million and share based payments of $0.6 million (four month period to 31 October 2011 EBITDA loss $6.2 million after non-recurring costs of $0.2 million, foreign exchange losses of $0.6 million and share based payments of $0.3 million). The net result of the consolidated entity for the year to 31 October 2012 was a loss after tax and minority interest for the year of $15.7 million (four month period to 31 October 2011 loss after tax and minority interest $9.3 million). Loss per share was 8.0 cents (four month period to 31 October 2011: loss per share: 4.7 cents).

The operating cash flow for the year was a net outflow of $21.2 million. Total cash flow for the year was a net outflow of $6.3 million. Cash at 31 October 2012 was $3.8 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

The Company raised £3.740 million ($5.736 million) through the placing (the "First Placing") of 17,807,815 new ordinary shares (the "First Placing Shares") with institutional investors in the UK and approximately £2.457 million ($3.768 million) by means of a direct subscription for 11,700,000 new ordinary shares (the "Subscription Shares") by investors in Australia (the "Subscription"). The issue price for the First Placing Shares and the Subscription Shares (together the "New Shares") was 21 pence ($0.32) per share.

The First Placing and Subscription resulted in the issue of a total of 29,507,815 new ordinary fully paid shares which represented 14.99 percent of the current issued ordinary share capital of the Company. Following completion of the First Placing and Subscription, the Company had 226,355,521 ordinary shares in issue (the "Enlarged Share Capital").

The Company subsequently raised a further £4.765 million ($7.220 million) through the placing (the "Second Placing") of 22,690,476 new ordinary shares (the "Second Placing Shares") with institutional investors in the UK.

The issue price for the Second Placing Shares was also 21 pence ($0.32) per share. The Second Placing Shares represented approximately 10 percent of the Enlarged Share Capital. Following completion of the First Placing, Subscription and Second Placing the Company has 249,045,997 ordinary shares in issue.

The proceeds of the First Placing and Subscription will strengthen the balance sheet, enhance the Company's ability to compete for larger contracts and partnerships, and will enable the Company to accelerate technology development for HomeSend and mobile money services. The proceeds of the Second Placing will accelerate payment of the Company's $7.2 million outstanding shareholder loans. On 29th January 2013 the Company gave seven days irrevocable notice to the lenders of its intention to repay these loans.

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.

Directors' report

Share options

eServGlobal Employee Share Option Plan
The company has an ownership-based remuneration scheme for directors, key management personnel 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.

Share options granted to directors and senior management
During the financial year and up to the date of this report the company granted 10,200,000 options to the directors and senior management of the entity (four months to 31 October 2011: nil). 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	1,500,000	Ordinary	$0.36	27 April 2017
eServGlobal Limited	7,700,000	Ordinary	$0.36	14 May 2017

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

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 key management personnel officers of the company and of any related body corporate against any liability incurred as a director, secretary or key management personnel 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.

During the financial year the company agreed to indemnify, to the extent permitted by the Corporations Act, the directors, company secretary and chief financial officer against any liability incurred as an officer of the company.

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' attendance at Board and Committee meetings held during the financial year

	Board of Directors		Audit Committee		Remuneration and Nomination Committee	
Directors	Held *	Attended	Held*	Attended	Held*	Attended
David Smart	14	11	4	4	-	-
François Barrault	13	11	-	-	4	4
Richard Mathews	13	12	-	-	-	-
James Brooke	13	10	-	-	-	-
Stephen Baldwin	12	12	4	4	4	4
Craig Halliday	13	13	-	-	-	-

*Held during term of director's appointment to Board, Audit or Remuneration and Nomination Committees. Board meetings held and attended by David Smart and Stephen Baldwin includes a special purpose committee comprised solely of those two directors.

Directors' report

Non-audit services
The directors are satisfied that the provision of non-audit services, during the financial 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 financial 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 15 of the financial report.

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

Directors' report

Remuneration Report

Determining remuneration policy for directors and key management personnel, 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 key management personnel details

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

- Richard Mathews (Non-executive Chairman)
- David Smart (Non-executive director)
- François Barrault (Non-executive director)
- James Brooke (Non-executive director)
- Craig Halliday (Chief Executive Officer and Managing Director)
- Stephen Baldwin (Non-executive director, appointed 25 November 2011)

The key management personnel of the Group for the financial year to 31 October 2012 were:

- Craig Halliday (Chief Executive Officer)
- Stephen Blundell (Chief Financial Officer)
- Remi Arame (Vice President Sales)
- Paolo Montessori (VP Mobile Money and appointed Chief Operating Officer since the end of the financial year)

Directors' report

Elements of director and key management personnel 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, 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 CEO 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, pension 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 CFO is a permanent employee with no fixed employment term and a notice period of six 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 thirty days required by either party.

The Chief Operating Officer (COO) is remunerated on a salary package basis that includes a base salary, pension 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 COO is a permanent employee with no fixed employment term and a notice period of three months required by either party.

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 key management personnel 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. The COO, Vice President of Sales and CFO variable component is earned in full by reference to the financial result of the company. The CEO variable component is earned 50% on the financial result of the company and 50% on strategic and stakeholder management objectives. These targets are selected to ensure alignment of shareholders' interests with key management personnel remuneration.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the three years to June 2011, the four month period to 31 October 2011 and the year to 31 October 2012.

	31 October 2012 $'000	31 October 2011 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000
Revenue	28,070	7,017	42,808	78,015	147,246
EBITDA	(8,656)	(6,186)	52,173	(20,574)	(5,261)
Net (loss)/ profit after tax	(15,589)	(9,258)	39,159	(32,286)	(34,525)

	31 October 2012	31 October 2011	30 June 2011	30 June 2010	30 June 2009
Share price at start of year	$0.520	$0.730	$0.600	$0.455	$0.820
Share price at end of year	$0.200	$0.520	$0.730	$0.600	$0.455
Interim dividend	-		-	-	-
Final dividend	-	12.1 cps	-	-	-
Capital distribution	-	16.9 cps	-	-	-
Basic (loss)/earnings per share	(8.0)	(4.7)	19.8	(16.5)	(20.1)
Diluted (loss)/earnings per share	(8.0)	(4.7)	19.8	(16.5)	(20.1)

Directors' report

The directors and the group's key management personnel received, or will receive, the following amounts as compensation for their services as directors and key management personnel of the Group during the financial year:

2012	Short-term employee benefits			Post Employment benefits	Share based payments			
	Salary & fees	Bonus (incl. variable pay component)	Non-monetary	Super-annuation	Options	Termination Benefits	Total	Percentage of remuneration related to performance
	$	$	$	$	$	$	$	%
Non-executive Directors								
R Mathews	140,000	-	-	12,600	-	-	152,600	-
S Baldwin (vi)	87,083	-	-	-	-	-	87,083	
F Barrault	82,004	-	-	-	-	-	82,004	-
J Brooke (i)	-	-	-	-	-	-	-	-
D Smart	85,000	-	-	7,650	-	-	92,650	-
Group's Key Management Personnel								
R Arame (ii) (iii)	253,849	194,579	41,762	35,429	73,058	-	598,677	45%
S Blundell (ii) (iv)	246,077	108,493	-	13,772	73,058	-	441,400	41%
C Halliday (ii) (v)	506,040	542,529	20,399	-	144,508	-	1,213,476	57%
P Montessori (ii) (iii) (vii)	187,500	91,689	-	-	18,678	-	297,867	37%
Total	1,587,553	937,290	62,161	69,451	309,302	-	2,965,757	-

(i) J Brooke has agreed that he receive no benefit for his 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 financial year.

(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) Appointed on 25 November 2011.

(vii) Appointed on 6 February 2012.

Directors' report

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

	Short-term employee benefits			Post Employment benefits	Share based payments			
Four months to 31 October 2011	Salary & fees $	Bonus (incl. variable pay component) $	Non-monetary $	Super-annuation $	Options $	Termination Benefits $	Total $	Percentage of remuneration related to performance %
Non-executive Directors								
R Mathews	46,667	-	-	4,200	-	-	50,867	-
F Barrault	28,477	-	-	-	-	-	28,477	-
J Brooke (i)	-	-	-	-	-	-	-	-
A Eisen (i) (vi)	-	-	-	-	-	-	-	-
M Jeffries (i) (vi)	-	-	-	-	-	-	-	-
D Smart	29,583	-	-	2,663	-	-	32,246	-
Group's Key Management Personnel								
R Arame (ii) (iii)	124,217	95,278	13,775	11,686	35,830	-	280,786	47%
S Blundell (ii) (iv)	82,313	31,088	-	4,607	35,830	-	153,838	43%
C Halliday (ii) (v)	160,250	54,799	6,147	-	35,830	-	257,026	35%
Total	471,507	181,165	19,922	23,156	107,490	-	803,240	-

(i) A Eisen, M Jeffries and J Brooke 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 period.

(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) Resigned on 24 October 2011.

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 during the financial year and as at the date of this report.

Directors	Fully paid ordinary shares	Executive share options
David Smart	40,000	-
Craig Halliday	62,005 [2] 7,272,727 [4] 16,110,592 [1]	1,500,000
François Barrault	500,000	-
Richard Mathews	16,110,592 [1] 206,683 [2]	-
James Brooke[3]	35,153,419	-
Stephen Baldwin	932,600	

[1] Relevant interest in shares held by MHB Holdings Pty Ltd.

[2] Relevant interest in shares held by Paua Pty Ltd.

[3] Shares held by Henderson Global Investors Limited of which James Brooke is a key management personnel.

[4] Shares held by National Nominees Limited

Share-based payments granted as compensation for the current financial year

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 7 March 2007 (i)	07-Mar-07	2012	$0.52146	$0.33
Issued 4 October 2007 (i)	04-Oct-07	2012	$0.80146	$0.44
Issued 11 February 2011 (i) (iii)	07-Mar-11	2016	$0.48146	$0.16
Issued 27 April 2012 (ii)	27-Apr-12	2017	$0.36000	$0.13
Issued 14 May 2012 (ii)	14-May-12	2017	$0.36000	$0.11

(i) In accordance with the terms of the Employee Share Option Plan the options issued 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 these series vest fully on the second anniversary date from the date of issue and expire five years from the date of issue.

(iii) Options issued in this series were cancelled and replaced with options issued on 14 May 2012.

Value of options issued to directors and key management personnel

Key management personnel receiving options are entitled to the beneficial interest under the option only if they continue to be employed with the Group at the time the option vests. Any exposure in relation to the risk associated with the movement in the underlying share price rests with the key management personnel.

1,000,000 options held by the Managing Director were cancelled during the year. 2,000,000 options held by other key management personnel were cancelled and replaced with replacement options on 14 May 2012.

During the financial year no options were forfeited as a result of a condition required for vesting (other than continuing employment with the company) not being satisfied. No options vested during the year.

The following table discloses the options granted, exercised or lapsed during the financial year:

Directors' report

Name	Number of options granted	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of options lapsed (ii) $
R Arame	1,000,000	106,940	-	-
S Blundell	1,000,000	106,940	-	-
P Montessori	750,000	80,205	-	-
C Halliday	1,500,000	190,845	-	-

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with the Australian Accounting Standards.

(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition has been satisfied.

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

Richard Mathews
Chairman
30 January 2013

Deloitte Touche Tohmatsu
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30 January 2013

The Board of Directors
eServGlobal Limited
c/- Simpsons Solicitors
Level 2, Pier 8/9
23 Hickson Road,
Millers Point NSW 2000

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 31 October 2012, 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

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants

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.	x
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: • 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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them.	x
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	x
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	√
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√

Corporate governance statement

	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: • 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.	√*
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.	√*

	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	The remuneration committee should be structured so that it: • Consists of a majority of independent Directors. • Is chaired by an independent chair. • Has at least three members.	√*
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	√*

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

Corporate governance statement

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 financial statements and reports.

The board meets on a regular basis, on average 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 to:

(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 Remuneration 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 management 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 five non-executive directors and one executive director. David Smart, Stephen Baldwin and Francois Barrault are considered to be independent directors. Richard Mathews and James Brooke are not considered to be independent by virtue of being associated with substantial shareholders of the company. Craig Halliday is not considered independent as he is the Chief Executive Officer of the company and associated with a substantial shareholder of the Company. As such, a majority of the board are not independent directors. The board is composed equally of independent and non-independent directors. The board believes the composition is appropriate at the present stage and will continue to review this on an ongoing basis.

2.2 The chair should be an independent director.

Richard Mathews is the former Chief Executive Officer of the Company and stepped into the position of Chairman of the Board in 2010. While this movement resulted in a chairman who is not independent, the company believes that a chairman with a strong knowledge of the company's operations is in the best interests of the company at this stage.

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

Richard Mathews is the company's Chairman and Craig Halliday 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 this Committee are Francois Barrault and Stephen Baldwin. 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 informal evaluation process in reviewing the performance of directors and the board.

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.

An evaluation of the board of directors did take place during the reporting period as described at 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, a third 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 ethics 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 ethics is available on the company's website www.eservglobal.com.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them.

The company has not established a policy concerning diversity.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The company has not established measurable objectives for achieving gender diversity

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The proportion of women within the organisation is: 23%
Women within whole organisation: 46
Women in senior executive positions: 22%
Women on the board: none

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

The company's business operations are conducted worldwide, and its Code of Ethics has been designed to accommodate the business operations of all the countries in which the company operates. The Code of Ethics complies with Principle 3.1.

Corporate governance statement

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.***

The Audit Committee comprised David Smart and Stephen Baldwin. All members of the Audit Committee are qualified and experienced accountants. David Smart and Stephen Baldwin are considered to be independent directors. Despite not having at least three members, the board believes that the Audit Committee 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. 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.

The Chairman and Chief Executive Officer continually monitor developments in the company and its business and in conjunction with the Company Secretary report any developments immediately to the board for consideration. All announcements are reviewed by the Company Secretary and/or other external legal advisers before release to the ASX or AIM.

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.

Corporate governance statement

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

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 and Chief Financial Officer 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.

Corporate governance statement

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 Francois Barrault and Stephen Baldwin.

8.2 The remuneration committee should be structured so that it:

- Consists of a majority of independent directors
- Is chaired by an independent chair
- Has at least three members.

The committee consists of a majority of independent directors.

The committee is chaired by Francois Barrault and despite not having three members the board believes the size of the committee is appropriate to discharge its mandate.

8.3 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.

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

The members of the Remuneration and Nomination Committee and its operation are described above.

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.

Deloitte.

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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 statement of financial position as at 31 October 2012, the statement of comprehensive income, the statement of cash flows and the 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 26 to 77.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance that 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 of the financial report that gives a true and fair view, 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.

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of eServGlobal Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 31 October 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 31 October 2012. 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.

Opinion

In our opinion the Remuneration Report of eServGlobal Limited for the year ended 31 October 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants
Sydney, 30 January 2013

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

Richard Mathews
Chairman

Brisbane, 30 January 2013

Consolidated statement of comprehensive income for the financial year ended 31 October 2012

	Note	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Revenue	2	28,070	7,017
Cost of sales		(12,267)	(4,234)
Gross profit		15,803	2,783
Other income	2	389	769
Research and development expenses		(2,289)	(547)
Sales and marketing expenses		(6,132)	(2,782)
Administration expenses		(16,427)	(6,409)
Loss before interest expense, tax, depreciation and amortisation		(8,656)	(6,186)
Amortisation expense	3	(4,704)	(1,581)
Depreciation expense	3	(637)	(326)
Loss before interest expense and tax		(13,997)	(8,093)
Finance costs	3	(1,405)	(605)
Loss before tax	3	**(15,402)**	**(8,698)**
Income tax expense	4	(187)	(560)
Loss for the year		**(15,589)**	**(9,258)**
Other comprehensive income			
Exchange differences arising on the translation of foreign operations		1,277	146
Total comprehensive loss for the year		**(14,312)**	**(9,112)**
Loss attributable to:			
Equity holders of the parent		(15,715)	(9,304)
Non controlling interest		126	46
		(15,589)	**(9,258)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(14,438)	(9,158)
Non controlling interest		126	46
		(14,312)	**(9,112)**
Loss per share:			
Basic (cents per share)	21	**(8.0)**	**(4.7)**
Diluted (cents per share)	21	**(8.0)**	**(4.7)**

Notes to the financial statements are included on pages 31 to 77

Consolidated statement of financial position as at 31 October 2012

	Note	31 October 2012 $'000	31 October 2011 $'000
Current Assets			
Cash and cash equivalents	27(a)	3,794	10,129
Trade and other receivables	8	14,094	40,425
Inventories	10	158	170
Current tax assets	4	90	90
Total Current Assets		18,136	50,814
Non-Current Assets			
Property, plant and equipment	11	912	1,541
Deferred tax assets	4	6,005	5,359
Goodwill	12	5,878	6,382
Other intangible assets	13	3,508	6,808
Total Non-Current Assets		16,303	20,090
Total Assets		34,439	70,904
Current Liabilities			
Trade and other payables	14	7,816	15,247
Borrowings	15	1,200	14,000
Current tax payables	4	69	6,904
Provisions	16	1,724	2,515
Deferred Revenue	17	2,125	2,190
Total Current Liabilities		12,934	40,856
Non-Current Liabilities			
Borrowings	15	6,000	-
Deferred tax liabilities	4	-	790
Provisions for employee benefits	16	431	385
Total Non-Current Liabilities		6,431	1,175
Total Liabilities		19,365	42,031
Net Assets		15,074	28,873
Equity			
Issued capital	18	90,770	90,770
Reserves	19	(82)	(1,983)
Accumulated Losses	20	(75,699)	(59,984)
Parent entity interest		14,989	28,803
Non controlling interest		85	70
Total Equity		15,074	28,873

Notes to the financial statements are included on pages 31 to 77

Consolidated statement of changes in equity for the year ended 31 October 2012

Consolidated	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
Balance at 1 November 2011	90,770	(3,376)	1,393	(59,984)	28,803	70	28,873
Profit/(Loss) for the year	-	-	-	(15,715)	(15,715)	126	(15,589)
Other comprehensive income (loss) for the year							
Exchange differences arising on translation of foreign operations	-	1,277	-	-	1,277	-	1,277
Total comprehensive income (loss) for the year	-	1,277	-	(15,715)	(14,438)	126	(14,312)
Payment of dividends	-	-	-	-	-	(111)	(111)
Equity settled payments	-	-	624	-	624	-	624
Balance at 31 October 2012	90,770	(2,099)	2,017	(75,699)	14,989	85	15,074
Balance at 1 July 2011	123,946	(3,522)	1,132	(26,770)	94,786	24	94,810
Profit/(Loss) for the period	-	-	-	(9,304)	(9,304)	46	(9,258)
Other comprehensive income (loss) for the period							
Exchange differences arising on translation of foreign operations	-	146	-	-	146	-	146
Total comprehensive income (loss) for the period	-	146	-	(9,304)	(9,158)	46	(9,112)
Capital distribution	(33,176)	-	-	-	(33,176)	-	(33,176)
Payment of dividends (Note 22)	-	-	-	(23,910)	(23,910)	-	(23,910)
Equity settled payments	-	-	261	-	261	-	261
Balance at 31 October 2011	90,770	(3,376)	1,393	(59,984)	28,803	70	28,873

Notes to the financial statements are included on pages 31 to 77

Consolidated statement of cash flows for the year ended 31 October 2012

	Note	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Cash Flows from Operating Activities			
Receipts from customers		30,182	11,007
Payments to suppliers and employees		(42,083)	(19,067)
Interest and other finance cost paid		(1,536)	(331)
Net income tax paid		(7,813)	(448)
Net cash used in operating activities	27(c)	(21,250)	(8,839)
Cash Flows From Investing Activities			
Proceeds from asset disposal (escrow deposit)		23,307	-
Interest received		562	1,817
Payment for property, plant and equipment		(140)	(29)
Software development costs		(1,826)	(500)
Net cash provided by investing activities		21,903	1,288
Cash Flows From Financing Activities			
Dividends paid to owners of the company	22	-	(23,910)
Capital distribution		-	(33,176)
Dividend paid by controlled entity to non-controlling interest		(111)	-
Proceeds from borrowings		2,500	14,000
Repayment of borrowings		(9,300)	-
Net cash used in financing activities		(6,911)	(43,086)
Net Decrease In Cash and Cash Equivalents		(6,258)	(50,637)
Cash At The Beginning Of The Year		10,129	60,820
Effects of exchange rate changes on the balance of cash held in foreign currencies		(77)	(54)
Cash and Cash Equivalents At The End Of The Year	27(a)	3,794	10,129

Notes to the financial statements are included on pages 31 to 77

Notes to the Financial Statements for the financial year ended 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES

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 30 January 2013.

Reporting period
The current financial year is for the year ended 31 October 2012. The comparative period is for the four months ended 31 October 2011 as, during the prior period, the Group changed its financial year from 30 June to 31 October.

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 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) Financial assets

Investments

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 or 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 31 October 2012

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 on 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 year 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 year 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 31 October 2012

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 to 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 31 October 2012

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 year. 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 year 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 year(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 year

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 31 October 2012

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 year 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.

Notes to the Financial Statements for the financial year ended 31 October 2012

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. Acquisition related costs are recognised in profit or loss as incurred.

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 group's 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

Notes to the Financial Statements for the financial year ended 31 October 2012

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.

Notes to the Financial Statements for the financial year ended 31 October 2012

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 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.

Notes to the Financial Statements for the financial year ended 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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

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.

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) 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 12.

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.

Unused tax losses

The recognition of unused tax losses as a deferred tax asset requires estimation and judgement of the availability of future taxable profits and is subject to compliance with the relevant tax legislations. At the date of this report, the directors have assessed the degree of probability of recovering the remaining unused tax losses. Accordingly, a deferred tax asset has been recognised to the extent that the probability criteria has been met.

Notes to the Financial Statements for the financial year ended 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(u) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all 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.

Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below

(u.1) Standards and Interpretations affecting amounts reported in the current year (and/or prior years)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements that have had no effect on the amounts reported are set out in Note 1(u.2).

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

Notes to the Financial Statements for the financial year ended 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(u.1) Standards and Interpretations affecting amounts reported in the current year (and/or prior years) (continued)

AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in Note 26 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

Standards and Interpretations affecting the reported results or financial position
There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(u.2) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standards affecting presentation and disclosure

AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.

Notes to the Financial Statements for the financial year ended 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(u.2) Standards and Interpretations adopted with no effect on financial statements (continued)

AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

(u.3) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations has not yet been determined.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments'(December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	31 October 2016
• AASB 9 'Financial Instruments'(December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	31 October 2016
• AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'	1 July 2012	31 October 2013
• AASB 7 'Financial Instruments: Disclosures'	1 July 2012	31 October 2013
• AASB 10 'Consolidated Financial Statements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 October 2014
• AASB 11 'Joint Arrangements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 October 2014
• AASB 12 'Disclosure of Interests in Other Entities', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 October 2014

Notes to the Financial Statements for the financial year ended 31 October 2012

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(u.3) Standards and Interpretations in issue not yet adopted (continued)

• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	31 October 2014
• AASB 101 'Presentation of Financial Statements'	1 July 2012	31 October 2013
• AASB 112 'Income taxes'	1 July 2012	31 October 2013
• AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	31 October 2014
• AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'	1 July 2012	31 October 2013
• AASB 121 'The Effects of Changes in Foreign Exchange Rates'	1 July 2012	31 October 2013
• AASB 127 'Separate Financial Statements' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 October 2014
• AASB 128 'Investments in Associates and Joint Ventures'(2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	31 October 2014
• AASB 132 'Financial Instruments: Presentation'	1 July 2012	31 October 2013
• AASB 133 'Earnings per Share'	1 July 2012	31 October 2013
• AASB 134 'Interim Financial Reporting'	1 July 2012	31 October 2013
• AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	31 October 2013
• AASB 2011-13 'Amendments to Australian Accounting Standards – Improvements AASB 1049'	1 July 2012	31 October 2013
• AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	31 October 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	31 October 2015
• AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	31 October 2014
• AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	31 October 2014
• Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	31 October 2014
At the date of authorisation of the financial statements, the following IASB was also in issue but not effective, although an Australian equivalent Standard has not yet been issued:		
• Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	I January 2014	31 October 2015

Notes to the Financial Statements for the financial year ended 31 October 2012

		Consolidated	
		Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
2.	**REVENUE**		
a)	Revenue from continuing operations consisted of the following items:		
	Revenue from the sale of goods	9,813	946
	Revenue from the rendering of services	18,257	6,071
	Total Revenue from continuing operations	28,070	7,017
b)	Other Income		
	Interest revenue	389	769

Notes to the Financial Statements for the financial year ended 31 October 2012

3. LOSS BEFORE TAX

	Consolidated Year Ended 31 October 2012 $'000	Consolidated Period Ended 31 October 2011 $'000
Loss before tax has been arrived at after charging (crediting) the following:		
Net foreign exchange loss	3,387	566
Finance costs:		
Interest - other entities	1,405	605
Depreciation of non-current assets:		
Office furniture and fittings	40	51
Leasehold improvements	3	4
Plant and equipment	594	271
Total depreciation of non-current assets	637	326
Amortisation of intangible assets:		
Customer relationships, software and documentation	4,704	1,581
Operating lease rental expenses:		
Minimum lease payments	2,063	843
Net loss on disposal of non-current assets		
Plant and equipment	123	31
(Write back)/ impairment recognised on trade receivables (Note 8)	(200)	92
Employee benefit expense:		
Contributions to defined contribution plans	26	11
Other employee benefits	23,546	6,769
Equity settled share-based payments	624	261
Total employee benefits expense	24,196	7,041

Notes to the Financial Statements for the financial year ended 31 October 2012

4. INCOME TAXES

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
(a) Income tax recognised in loss		
Tax expense comprises:		
Current tax expense	1,753	1,212
Adjustments recognised in the current year in relation to the current tax of prior years	(130)	48
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	(1,436)	(700)
Total tax expense	187	560
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(15,402)	(8,698)
Income tax expense/ (benefit) calculated at 30%	(4,621)	(2,610)
Non-deductible expenses	591	225
Foreign withholding tax credits not utilised	943	367
Deferred tax assets not recognised	3,698	2,441
Non-assessable income	(217)	(67)
Effect of different tax rate in foreign operations	(77)	156
Under/(over) provision of income tax in previous year	(130)	48
	187	560

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.

	Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
(b) Current tax assets and liabilities		
Current tax assets:		
Tax refund receivable	90	90
Current tax payables:		
Income tax payable	69	6,904

Notes to the Financial Statements for the financial year ended 31 October 2012

4. INCOME TAXES (continued)

Deferred tax balances

Deferred tax assets and liabilities arise from the following:

Year to 31 October 2012	Consolidated Opening balance $'000	Reclassified $'000	Credited to income $'000	Closing balance $'000
Deferred tax liabilities:				
Exchange difference on foreign subsidiary	(15)	-	15	-
Intangible assets	805	-	(805)	-
	790	-	(790)	-
Deferred tax assets:				
Tax losses – revenue	866	-	154	1,020
Research & development tax credits	3,913	-	570	4,483
Foreign tax credits	124	-	(11)	113
Doubtful debts	319	-	-	319
Accrued costs	103	-	(68)	35
Other	34	-	1	35
	5,359	-	646	6,005

Four months to 31 October 2011	Consolidated Opening balance $'000	Reclassified $'000	Credited to income $'000	Closing balance $'000
Deferred tax liabilities:				
Exchange difference on foreign subsidiary	-	-	(15)	(15)
Intangible assets	1,068	-	(263)	805
	1,068	-	(278)	790
Deferred tax assets:				
Tax losses – revenue	1,099	-	(233)	866
Research & development tax credits	3,294	-	619	3,913
Foreign tax credits	88	-	36	124
Doubtful debts	319	-	-	319
Accrued costs	103	-	-	103
Other	34	-	-	34
	4,937	-	422	5,359

Notes to the Financial Statements for the financial year ended 31 October 2012

4. INCOME TAXES (continued)

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 and are therefore taxed as a single entity. The head entity within the tax-consolidated group is eServGlobal Limited. The members of the tax-consolidated group are identified at Note 24.

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 recognized in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

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 Boards 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	
	Year Ended 31 October 2012 $	Period Ended 31 October 2011 $
Short-term employee benefits	2,587,004	672,594
Post-employment benefits	69,451	23,156
Share-based payments	309,302	107,490
	2,965,757	803,240

Notes to the Financial Statements for the financial year ended 31 October 2012

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS

The Group has ownership-based remuneration schemes for directors, key management personnel 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. 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 issued 10,200,000 options (four month period to 31 October 2011: 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 31 October 2012, key management personnel and employees are entitled to purchase an aggregate of 9,200,000 (31 October 2011: 7,710,000) ordinary shares of the entity at an exercise price of $0.36 (31 October 2011: $0.48 to $0.80) per ordinary share. At 31 October 2012, none (31 October 2011: 410,000) of these options had vested. The options may be exercised at various times up until 13 May 2017. 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.

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

Option Series	Number	Grant Date	Expiry Date	Exercise Price $	Fair value at grant date
Issued 7 March 2007 (i)	350,000	07-Mar-07	2012	0.52146	$0.33
Issued 4 October 2007 (i)	110,000	04-Oct-07	2012	0.80146	$0.44
Issued 11 February 2011 (i) (iii)	7,300,000	07-Mar-11	2016	0.48146	$0.16
Issued 27 April 2012 (ii) (iv)	1,500,000	27-Apr-12	2017	0.36000	$0.13
Issued 14 May 2012 (ii) (iv)	8,700,000	14-May-12	2017	0.36000	$0.11

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 these series vest fully on the second anniversary date from the date of issue and expire five years from the date of issue.

(iii) During the year, 1,000,000 options were cancelled, 6,050,000 options were cancelled and issued as replacement options and 250,000 options lapsed.

(iv) Options in these series were issued pursuant to shareholder approval granted in March 2012

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

Notes to the Financial Statements for the financial year ended 31 October 2012

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

The fair value of the options were derived by an appropriately qualified expert who chose to use the binomial pricing model. 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.

Inputs into the models for the series of options:

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
7-Mar-07	0.77	5.80%	5	1.5%	45.00% - 55.00%	2.00
4-Oct-07	1.07	6.42%	5	1.5%	45.00% - 50.00%	2.00
07-Mar-11	0.47	5.30%	4.93	0.0%	45.00%	none assumed
27-Apr-12	0.30	3.23%	5	0.0%	52.50%	none assumed
14-May-12	0.25	2.82%	5	0.0%	52.50%	none assumed

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

	31 October 2012		31 October 2011	
	Number of Options	Weighted average exercise price $	Number of Options	Weighted average exercise price $
Balance at the beginning of the year	7,710,000	0.656	7,760,000	0.656
Granted during the year	10,200,000	0.360	-	-
Expired/ lapsed/ cancelled during the year	(8,710,000)	0.622	(50,000)	0.690
Balance at the end of the year	9,200,000	0.360	7,710,000	0.656
Exercisable at the end of the financial year	-	-	410,000	0.765

Notes to the Financial Statements for the financial year ended 31 October 2012

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

Exercised during the financial year

No options were exercised during the financial year, nor during the previous financial period.

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 No.	Unvested No.	Expiry Date	Exercise Price $	Contractual Life (days)
Issued 27 April 2012	1,500,000	-	1,500,000	2017	$0.36	1,638
Issued 14 May 2012	7,700,000	-	7,700,000	2017	$0.36	1,655
	9,200,000	-	9,200,000			

Notes to the Financial Statements for the financial year ended 31 October 2012

	Consolidated	
	Year Ended 31 October 2012 $	Period Ended 31 October 2011 $
7. REMUNERATION OF AUDITORS		
Auditor of the Parent Entity		
Auditing of the financial report	135,000	82,500
	135,000	82,500
Other Auditors		
Auditing the financial report	121,883	51,374
Other services – Taxation	20,806	-
	142,689	51,374
	277,689	133,874

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.

Notes to the Financial Statements for the financial year ended 31 October 2012

	31 October 2012 $'000	31 October 2011 $'000
8. CURRENT TRADE AND OTHER RECEIVABLES		
Trade receivables (i)	9,683	10,608
Less : Allowance for doubtful debts	(892)	(1,092)
	8,791	9,516
Prepayments	956	1,046
Goods and services tax receivable	461	868
Work in progress (Note 9)	3,602	4,910
Deferred sales proceeds	-	23,534
Deposits and accrued interest	284	551
	14,094	40,425

(i) The average credit period on sales of goods and rendering of services is 60 days (31 October 2011: 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 $2.6 million (31 October 2011: $4.9 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 108 days (31 October 2011: 133 days).

	Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
Ageing of past due but not impaired		
By up to 30 days	640	466
30 - 90 days	410	1,116
90 - 120 days	371	248
120 + days	1,129	3,047
	2,550	4,877

Movement in allowance for doubtful debts		
Balance at the beginning of the year	1,092	1,000
Impairment (reduction)/losses recognised on receivables	(200)	92
Balance at the end of the year	(892)	1,092

Notes to the Financial Statements for the financial year ended 31 October 2012

9. WORK IN PROGRESS	31 October 2012 $'000	31 October 2011 $'000
Contract work in progress	17,750	17,064
Progress billings and advances received	(16,273)	(14,344)
	1,477	2,720
Recognised and included in the financial statements as amounts due:		
From customers:		
Current (Note 8)	3,602	4,910
To customers as deferred income:		
Current (Note 17)	(2,125)	(2,190)
	1,477	2,720

	31 October 2012 $'000	31 October 2011 $'000
10. CURRENT INVENTORIES		
Finished goods	158	170

Notes to the Financial Statements for the financial year ended 31 October 2012

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Office furniture and fittings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Gross carrying amount – at cost				
Balance at 30 June 2011	715	11	8,327	9,053
Additions	22	-	7	29
Disposals	(86)	-	-	(86)
Net foreign currency	(3)	-	(67)	(70)
Balance at 31 October 2011	648	11	8,267	8,926
Additions	4	-	136	140
Disposals	(72)	(11)	(3,059)	(3,142)
Net foreign currency	(53)	-	(684)	(737)
Balance at 31 October 2012	527	-	4,660	5,187
Accumulated depreciation				
Balance at 30 June 2011	584	4	6,624	7,212
Depreciation expense	51	4	271	326
Disposal	(55)	-	-	(55)
Net foreign currency	(4)	-	(94)	(98)
Balance at 31 October 2011	576	8	6,801	7,385
Depreciation expense	40	3	594	637
Disposal	(72)	(11)	(2,936)	(3,019)
Net foreign currency	(55)	-	(673)	(728)
Balance at 31 October 2012	489	-	3,786	4,275
Net book value				
As at 31 October 2011	72	3	1,466	1,541
As at 31 October 2012	38	-	874	912

Notes to the Financial Statements for the financial year ended 31 October 2012

	Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
12. GOODWILL		
Gross carrying amount and net book value		
Balance at the beginning of the financial year	15,391	15,637
Translation effects of foreign currency exchange movements	(1,063)	(246)
Balance at end of financial year	14,328	15,391
Accumulated impairment losses		
Balance at the beginning of the financial year	(9,009)	(9,138)
Translation effects of foreign currency exchange movements	559	129
Balance at end of financial year	(8,450)	(9,009)
Net book value		
At the beginning of the financial year	6,382	6,499
At the end of the financial year	5,878	6,382

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 (four month period to 31 October 2011: $ nil). The recoverable amount was assessed by reference to the cash-generating unit's value in use. A discount factor of 25% per annum (four month period to 31 October 2011: 23% 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 3% 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 between 10% to 17%.
- A gross margin of 60% 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 25% 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.

Notes to the Financial Statements for the financial year ended 31 October 2012

13. INTANGIBLES

	Consolidated			
	Software & documentation acquired $'000	Customer relationships acquired $'000	Software development $'000	Total $'000
Gross carrying amount				
Balance at 30 June 2011	17,545	20,955	6,391	44,891
Internally developed	-	-	500	500
Effects of foreign currency exchange movements	-	(58)	(92)	(150)
Balance at 31 October 2011	17,545	20,897	6,799	45,241
Internally developed	-	-	1,826	1,826
Effects of foreign currency exchange movements	-	(164)	(283)	(447)
Balance at 31 October 2012	17,545	20,733	8,342	46,620
Accumulated Amortisation and impairment				
Balance at 30 June 2011	(17,545)	(17,391)	(1,943)	(36,879)
Amortisation expense	-	(891)	(690)	(1,581)
Effects of foreign currency exchange movements	-	15	12	27
Balance at 31 October 2011	(17,545)	(18,267)	(2,621)	(38,433)
Amortisation expense	-	(2,479)	(2,225)	(4,704)
Effects of foreign currency exchange movements	-	13	12	25
Balance at 31 October 2012	(17,545)	(20,733)	(4,834)	(43,112)
Net Book Value				
As at 31 October 2011	-	2,630	4,178	6,808
As at 31 October 2012	-	-	3,508	3,508

Significant intangible assets

Software development costs of $8.342 million are amortised over three years.

Notes to the Financial Statements for the financial year ended 31 October 2012

	Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
14. CURRENT TRADE AND OTHER PAYABLES		
Trade payables (i)	1,359	2,214
Accruals and other payables	6,457	13,033
	7,816	15,247

(i) The average credit period on purchases of certain goods is 45 days (31 October 2011: 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.

	31 October 2012 $'000	31 October 2011 $'000
15. BORROWINGS		
Secured		
Loans	7,200	14,000
Current (i) (iii)	1,200	14,000
Non-current (ii) (iii)	6,000	-
	7,200	14,000

(i) Current loans represent a loan from former shareholder Guiness Peat Group International Holdings BV. The loan is secured by way of a fixed and floating charge over the assets of the Group, interest bearing at 9.75% per annum and due for repayment on 31 August 2013.

(ii) Non-current loans represent loans from shareholders, MHB Holdings Pty Ltd ($1,988,100), Volantis Capital Limited ($2,507,748), Strathclyde pensions fund ($672,252) and Halliday LLC ($831,900). The loan is secured by way of a fixed and floating charge over the assets of the Group and is interest bearing at 9.75% per annum. During the year, these shareholders agreed to extend the due date of the loans to 15 February 2014. Accordingly this loan is classified as non-current borrowings at 31 October 2012.

(iii) On 29th January 2013 the Company gave seven days irrevocable notice to the lenders of its intention to repay all the outstanding $7.2 million shareholder loans.

Notes to the Financial Statements for the financial year ended 31 October 2012

16. PROVISIONS

	Employee provisions $'000	Retirement contribution plans (i) $'000	Total $'000
Consolidated			
Balance as at 31 October 2011	2,515	385	2,900
Additional provisions recognised	36	46	82
Utilised during the year	(827)	-	(827)
Balance as at 31 October 2012	1,724	431	2,155
Current	1,724	-	1,724
Non-current	-	431	431
	1,724	431	2,155

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

17. OTHER CURRENT LIABILITIES

	Consolidated 31 October 2012 $'000	31 October 2011 $'000
Deferred income (Note 9)	2,125	2,190

Notes to the Financial Statements for the financial year ended 31 October 2012

18. ISSUED CAPITAL	**31 October 2012 $'000**	**31 October 2011 $'000**
196,847,706 fully paid ordinary shares (31 October 2011: 196,847,706)	90,770	90,770

	31 October 2012		**31 October 2011**	
	No. '000	**$ '000**	**No. '000**	**$ '000**
Fully Paid Ordinary Shares				
Balance at the beginning of financial year	196,848	90,770	196,848	123,946
Balance at the end of financial year	196,848	90,770	196,848	90,770

In the prior period to 31 October 2011, based on the Company's shareholders approval, the directors declared a capital return of $0.16854 per share and paid to shareholders on 23rd August 2011. Total amount paid was $33,176,000.

Subsequent to the balance sheet date a total of 52,198,291 new ordinary shares were issued through placement and subscription. The Company now has 249,045,997 ordinary shares in issue. Further details are contained in Note 30

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 31 October 2012, 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.

Notes to the Financial Statements for the financial year ended 31 October 2012

		Consolidated	
		31 October 2012 $'000	**31 October 2011 $'000**
19.	**RESERVES**		
	Foreign currency translation	(2,099)	(3,376)
	Employee equity-settled benefits	2,017	1,393
		(82)	(1,983)

Foreign currency translation reserve		
Balance at beginning of financial year	(3,376)	(3,522)
Translation of foreign operations	1,277	146
Balance at the end of the financial year	(2,099)	(3,376)

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.

Employee equity-settled benefits reserve		
Balance at beginning of financial year	1,393	1,132
Share based payments	624	261
Balance at the end of the financial year	2,017	1,393

The employee equity-settled benefits reserve arises on the grant of share options to key management personnel 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 key management personnel and employees is contained in Note 6 to the financial statements.

		31 October 2012 $'000	**31 October 2011 $'000**
20.	**ACCUMULATED LOSSES**		
	Balance at beginning of the financial year	(59,984)	(26,770)
	Loss for the year attributable to equity holders of the parent	(15,715)	(9,304)
	Payment of dividends (Note 22)	-	(23,910)
	Balance at end of financial year	(75,699)	(59,984)

Notes to the Financial Statements for the financial year ended 31 October 2012

	Consolidated	
	Year Ended 31 October 2012 Cents Per Share	Period Ended 31 October 2011 Cents Per Share
21. LOSS PER SHARE		
Basic loss per share	(8.0)	(4.7)
Diluted loss per share	(8.0)	(4.7)

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

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Earnings – being the loss for the year attributable to equity holders of the parent	(15,715)	(9,304)

	31 October 2012 No '000	31 October 2011 No '000
Weighted average number of ordinary shares	196,848	196,848

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

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Earnings – being the loss for the year attributable to equity holders of the parent	(15,715)	(9,304)

	31 October 2012 No '000	31 October 2011 No '000
Weighted average number of ordinary shares and potential ordinary shares (a)	196,848	196,848

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

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted loss per share	196,848	196,848

There were no options on issue at year end that have been considered dilutive for the purposes of determining diluted earnings per share for the year ended 31 October 2012.

Notes to the Financial Statements for the financial year ended 31 October 2012

	Consolidated			
	31 October 2012		31 October 2011	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
22. DIVIDENDS				
Recognised Amounts				
Special dividend recognised and paid				
Fully Paid Ordinary Shares partly franked	-	-	0.12146	23,910

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

In the prior period to 31 October 2011, based on the Company's shareholders approval, the directors declared a special dividend of $0.12146 per share (franked amount at $0.083 per share) and paid to shareholders on 23rd August 2011. Total dividend paid was $23,910,000.

23. 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	
	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Non-cancellable operating leases		
No longer than 1 year	1,512	1,892
Longer than 1 year and not longer than 5 years	2,425	3,806
Longer than 5 years	-	-
	3,937	5,698

Notes to the Financial Statements for the financial year ended 31 October 2012

		COUNTRY OF INCORPORATION	Ownership Interest 31 October 2012 %	31 October 2011 %
24.	**SUBSIDIARIES**			
	Parent Entity			
	eServGlobal Limited	Australia (vi) (vii)		
	Subsidiary			
	eServGlobal Holdings SAS	France (i)	100	100
	eServGlobal SAS	France (i) (iii)(viii)	100	100
	PT eServGlobal Indonesia	Indonesia (i) (ix)	100	100
	eServGlobal (Beijing) Telecommunication Technical Services, Co Ltd	China (i) (ix)	100	100
	eServGlobal Telecom Romania Srl	Romania (i)(ix)(viii)	50	50
	eServGlobal Telecom Serviços do Brasil Ltda	Brazil (i) (ix)	100	100
	eServGlobal (NZ) Pty Limited	Australia (ii) (v) (vi)	100	100
	eServGlobal (HK) Limited	Hong Kong (i)	100	100
	eServGlobal NVSA	Belgium (i)	100	100
	eServGlobal UK Limited	United Kingdom (x)	100	100
	eServ UK Limited	United Kingdom(iv)	100	100
	eServGlobal Singapore Pte. Ltd.	Singapore (i)	100	100
	eServGlobal Inc	United States of America (iv)	100	100
	eServGlobal Aust Pty Limited	Australia (iv) (v) (vi)	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) These subsidiaries did not trade in the year ended 31 October 2012.

(v) 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.

(vi) These companies are members of the Australian tax consolidated group.

(vii) eServGlobal Limited is the head entity within the tax consolidated group.

(viii) This company is a subsidiary of eServGlobal Holdings SAS. Management have determined that the group has the power to govern the financial and operating policies eServ Global Telecom Romania Srl.

(ix) These companies are subsidiaries of eServGlobal SAS.

(x) eServGlobal UK Limited carries on business in the United Kingdom and has a branch which carries on business in the Netherlands.

Notes to the Financial Statements for the financial year ended 31 October 2012

25. SEGMENT INFORMATION

The Group operates in a single segment being the telecommunications software solutions business. Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on telecommunication software solution 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.

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Hardware	613	129
Licences	9,200	817
Services	3,378	1,398
Support	12,148	4,437
Software as a Service	2,731	236
Total revenue from continuing operations	28,070	7,017

Geographical information

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

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Middle East	7,863	1,970
Asia Pacific	3,783	1,538
Europe	3,706	1,383
Africa	12,120	1,955
Central and South America	598	171
Total revenue from continuing operations	28,070	7,017

Information about major customers

Included in the Group's revenue from continuing operations from external customers are revenues of approximately $13.8 million (four month period ended 31 October 2011: $4.1 million) which arose from sales to the Group's largest customers.

Notes to the Financial Statements for the financial year ended 31 October 2012

26. 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 24 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 November No.	Received on exercise of options No.	Net other change No.	Balance at 31 October No.
Year to 31 October 2012				
D Smart	40,000	-	-	40,000
R Mathews[(i)]	16,317,275	-	-	16,317,275
C Halliday[(ii)]	23,445,324	-	-	23,445,324
F Barrault	500,000	-	-	500,000
James Brooke[(iii)]	35,153,419	-	-	35,153,419
Stephen Baldwin [(iv)]	-	-	932,600	932,600
Four months to 31 October 2011				
D Smart	40,000	-	-	40,000
R Mathews[(i)]	16,317,275	-	-	16,317,275
C Halliday[(ii)]	23,445,324	-	-	23,445,324
F Barrault	500,000	-	-	500,000
James Brooke[(iii)]	35,153,419	-	-	35,153,419

(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 16,110,592 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 16,110,592 ordinary shares held by MHB Holdings Pty Ltd, 62,005 held by Paua Pty Ltd, and 7,272,727 shares held by National Nominees Limited

(iii) J Brooke has a relevant interest in shares held by Henderson Global Investors Limited

(iv) Stephen Baldwin appointed a Director on 25 November 2011.

Notes to the Financial Statements for the financial year ended 31 October 2012

26. RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings (continued)

Options issued by eServGlobal Limited to Key Management Personnel

	Balance at 1 November	Granted as compen-sation	Exercised	Net other change	Balance at 31 October	Balance vested at 31 October	Vested but not exercisable	Vested and exercisable	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Year to 31 October 2012									
Craig Halliday	1,000,000	1,500,000	-	(1,000,000)	1,500,000	-	-	-	-
R Arame	1,000,000	1,000,000	-	(1,000,000)	1,000,000	-	-	-	-
S Blundell	1,000,000	1,000,000	-	(1,000,000)	1,000,000	-	-	-	-
P Montessori(i)	-	750,000	-	-	750,000	-	-	-	-
	Balance at 1 July	**Granted as compen-sation**	**Exercised**	**Net other change**	**Balance at 31 October**	**Balance vested at 31 October**	**Vested but not exercisable**	**Vested and exercisable**	**Vested during the year**
	No.	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
Four months to 31 October 2011									
Craig Halliday	1,000,000	-	-	-	1,000,000	-	-	-	-
R Arame	1,000,000	-	-	-	1,000,000	-	-	-	-
S Blundell	1,000,000	-	-	-	1,000,000	-	-	-	-

(i) P Montessori was employed on 6 February 2012.

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).

d) Non executive directors option holdings

There were no options in issue to non executive directors during the financial year or in the prior financial period.

Notes to the Financial Statements for the financial year ended 31 October 2012

26. RELATED PARTY DISCLOSURES (continued)

	Consolidated	
	Year Ended 31 October 2012 $	Period Ended 31 October 2011 $
e) Loans from related parties		
Loans from shareholders	6,000,000	14,000,000
During the year, the Group paid down part of the secured loans from shareholders and one of the lenders, Guinness Peat Group ceased to be a related party of the company (refer Note 15).		
f) Other related party transactions		
Interest on shareholder loans	915,740	525,963
Mr Baldwin's Director's Fees, as detailed in the Directors' Report, are paid to his private company	87,083	-

g) Parent Entities
The parent and ultimate parent entity in the Group is eServGlobal Limited.

Notes to the Financial Statements for the financial year ended 31 October 2012

27. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated Year Ended 31 October 2012 $'000	Consolidated Period Ended 31 October 2011 $'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	3,794	10,129
Bank overdraft	-	-
	3,794	10,129

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
b) Financing facilities		
Secured loan facility		
▪ amount used	7,200	14,000
▪ amount unused	-	-
Total Secured loan facilities	7,200	14,000

	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
c) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(15,589)	(9,258)
Interest income	(562)	(1,816)
Depreciation of non-current assets	637	326
Amortisation of non-current assets	4,704	1,581
Loss on disposal of non-current assets	123	31
Unrealised foreign exchange loss	2,290	411
Equity settled share-based payments	624	261
Proceeds from asset disposal (escrow deposit)	(23,307)	-
Increase/(decrease) in current income tax balances	(6,835)	163
Increase/(decrease) in deferred tax balances	(1,435)	(701)
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
- (Increase)/decrease in assets:		
- Receivables	26,331	5,505
- Inventories	12	109
Increase/(decrease) in liabilities:		
- Trade payables	(7,428)	(948)
- Provisions	(747)	(4,571)
- Other liabilities	(68)	68
Net cash used in operating activities	(21,250)	(8,839)

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

	Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
d) Cash balance not available for use	428	420

The above cash balance which is not available for use is held as security by the financial institutions in relation to a financial guarantee that has been issued on behalf of the company. The cash balance is held in interest yielding account.

28. 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 the period ended 31 October 2011.

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 31 October 2012 the Group had no bank borrowings (31 October 2011: $ nil). The Group has other borrowings of $ 7.2m which are secured (31 October 2011: $ 14.0m). Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses, tax liabilities and software 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 28 (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.

Notes to the Financial Statements for the financial year ended 31 October 2012

28. FINANCIAL INSTRUMENTS (continued)

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	
	31 October 2012 $'000	31 October 2011 $'000	31 October 2012 $'000	31 October 2011 $'000
US dollars	2,532	3,346	266	55
Euro	98	253	14	99

Forward foreign exchange contracts

There are no forward foreign currency contract outstanding as at the reporting date:

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
Outstanding Contracts	31 October 2012	31 October 2011	31 October 2012 USD'000	31 October 2011 USD'000	31 October 2012 $'000	31 October 2011 $'000	31 October 2012 $'000	31 October 2011 $'000
Sell US Dollars								
Less than 3 months	n/a	1.0846	-	394	-	363	-	(12)
3 to 6 months	n/a	n/a	-	-	-	-	-	-
7 to 9 months	n/a	n/a	-	-	-	-	-	-
			-	394	-	363	-	(12)

	Consolidated	
Categories of financial instruments	**31 October 2012 $'000**	**31 October 2011 $'000**
Financial Assets:		
Cash and cash equivalents	3,794	10,129
Loans and receivables		
Receivables	8,791	9,516
Deferred sales proceeds	-	23,534
Deposits and accrued interest	284	551
Financial Liabilities:		
Trade payables (at amortised cost)	1,359	2,214
Borrowings	7,200	14,000

Notes to the Financial Statements for the financial year ended 31 October 2012

28. 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 year end for a 10% change in foreign currency rates.

	USD Impact Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
Profit or loss	311	378

	Euro Impact Consolidated	
	31 October 2012 $'000	31 October 2011 $'000
Profit or loss	12	37

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 year. 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 31 October 2012 is limited to the interest generated on deposits balances invested during the course of the year which attract a variable interest rate and yielded weighted average interest rate of 0.2% for the financial year (period ended 31 October 2011: 4.6%).

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.

Notes to the Financial Statements for the financial year ended 31 October 2012

28. 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 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					
31 October 2012					
Trade payables - Non-interest bearing	-	906	453	-	-
Borrowings	9.75%	-	-	1,200	6,000
31 October 2011					
Trade payables - Non-interest bearing	-	1,476	738	-	-
Borrowings	9.75%	-	-	14,000	-

Notes to the Financial Statements for the financial year ended 31 October 2012

28. 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						
31 October 2012						
Cash and cash equivalents	0.02%	3,794	-	-	-	
Deposits - Non-interest bearing	-	-	-	284	-	-
Trade receivables - Non-interest bearing	-	4,835	2,418	1,538	-	-
		8,629	2,418	1,822	-	-
31 October 2011						
Cash and cash equivalents	3.93%	10,129	-	-	-	-
Deposits – interest bearing	3.50%	6,400	6,014	11,230	-	-
Deposits - Non-interest bearing	-	-	-	551	-	-
Trade receivables - Non-interest bearing	-	5,234	2,617	1,665	-	-
		21,763	8,631	13,446	-	-

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.

Notes to the Financial Statements for the financial year ended 31 October 2012

29. PARENT ENTITY INFORMATION

29.1 Financial position	31 October 2012 $'000	31 October 2011 $'000
Assets		
Current assets	894	11,465
Non-current assets	21,972	32,772
Total assets	22,866	44,237
Liabilities		
Current liabilities	1,792	15,365
Non-current liabilities	6,000	-
Total liabilities	7,792	15,365
Equity		
Issued capital	90,770	90,770
Accumulated losses	(77,713)	(63,291)
Reserves		
Employee equity-settled benefits	2,017	1,393
Total equity	15,074	28,872

29.2 Financial performance	Year Ended 31 October 2012 $'000	Period Ended 31 October 2011 $'000
Loss for the year	(14,422)	(9,113)
Other comprehensive income	-	-
Total comprehensive loss	(14,422)	(9,113)

Notes to the Financial Statements for the financial year ended 31 October 2012

30. SUBSEQUENT EVENTS

The Company raised £3.740 million ($5.736 million) through the placing (the "First Placing") of 17,807,815 new ordinary shares (the "First Placing Shares") with institutional investors in the UK and approximately £2.457 million ($3.768 million) by means of a direct subscription for 11,700,000 new ordinary shares (the "Subscription Shares") by investors in Australia (the "Subscription"). The issue price for the First Placing Shares and the Subscription Shares (together the "New Shares") was 21 pence ($0.32) per share.

The First Placing and Subscription resulted in the issue of a total of 29,507,815 new ordinary fully paid shares which represented 14.99 percent of the current issued ordinary share capital of the Company. Following completion of the First Placing and Subscription, the Company had 226,355,521 ordinary shares in issue (the "Enlarged Share Capital").

The Company subsequently raised a further £4.765 million ($7.220 million) through the placing (the "Second Placing") of 22,690,476 new ordinary shares (the "Second Placing Shares") with institutional investors in the UK.

The issue price for the Second Placing Shares was also 21 pence ($0.32) per share. The Second Placing Shares represented approximately 10 percent of the Enlarged Share Capital. Following completion of the First Placing, Subscription and Second Placing the Company has 249,045,997 ordinary shares in issue.

On 29th January 2013 the Company gave seven days irrevocable notice to the lenders of its intention to repay all the outstanding $7.2 million shareholder loans.

31. 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

c/o Simpsons Solicitors
Level 2, Pier 8/9
23 Hickson Road
Millers Point Sydney NSW 2000
Australia

Additional Securities Exchange Information as at 25 January 2013

Ordinary share capital

249,045,997 fully paid ordinary shares are held by 990 individual shareholders on the Australian Securities Exchange and 142 individual depository interest holders on the London Stock Exchange (AIM).
All issued ordinary shares carry one vote per share.

Options

19 individual option holders hold 9,200,000 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	123	7	-
1,001-5,000	366	15	-
5,001-10,000	189	11	-
10,001-100,000	260	58	-
100,001-Over	52	51	19
Total	990	142	19
Holding less than a marketable parcel	133		

Substantial shareholders	Number
Legal and General Investment Management Plc	44,104,905
Henderson Global Investors Ltd	35,153,419
Acorn Capital Limited	28,376,000
MHB Holdings Pty Ltd, Paua Pty Ltd and Richard Mathews	23,590,002
Halliday LLC and Craig Halliday	23,590,002
Investec Asset Management Limited	19,047,619
Hargreave Hale Limited	11,508,068

Twenty largest holders of quoted equity securities

Australian Securities Exchange

Computershare Clearing Pty Ltd holds 154,302,981 ordinary fully paid shares on behalf of the Depositary Interest Holders.

Ordinary Shareholders	Number	% of capital
NATIONAL NOMINEES LIMITED	21,874,813	8.78
MHB HOLDINGS PTY LTD	16,110,592	6.47
J P MORGAN NOMINEES AUSTRALIA LIMITED	11,805,819	4.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,032,865	2.42
BT PORTFOLIO SERVICES LIMITED <MCMANAMEY SUPER FUND A/C>	4,121,388	1.65
LINK 405 PTY LTD	3,161,189	1.27
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,769,688	111
MERRIL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,105,000	0.85
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,056,840	0.83
PATRICK MCGRORY	1,730,426	0.69
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	1,017,534	0.41
MR STEPHEN JOHN BALDWIN <SUPERANNUATION FUND ACCOUNT>	850,000	0.34
HALLAM DRAINAGE PTY LTD	782,890	0.31
JANVIN PTY LTD	600,000	0.24

London Stock Exchange (AIM)

Depository Interest (DI) Holders	Number	% of DI Holders
VIDACOS NOMINEES LIMITED	27,723,343	17.97
NORTRUST NOMINEES LIMITED<TDS>	25,011,599	16.21
STATE STREET NOMINEES LIMITED <OMO4>	19,047,619	12.34
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <764685>	12,205,368	7.91
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <667656>	11,648,006	7.55
NORTRUST NOMINEES LIMITED <SLEND>	7,430,076	4.82
TD WEALTH INSTITUTIONAL NOMINEES (UK) LIMITED <KKCLT>	6,385,330	4.14
BNY (OCS) NOMINEES LIMITED <HIT>	5,595,790	3.63
THE BANK OF NEW YORK (NOMINEES) LIMITED <RUEGF>	5,300,000	3.43
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <978777>	3,260,714	2.11
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <944287>	2,929,600	1.90
PERSHING NOMINEES LIMITED <LSCLT>	2,484,834	1.61
LR NOMINEES LIMITED <NOMINEE>	1,961,144	1.27
MORSTAN NOMINEES LIMITED <SEG>	1,852,000	1.20

CITICORP NOMINEES PTY LIMITED	545,310	0.22	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <887711>	1,844,037	1.20
MR FRANCOIS BARRAULT	500,000	0.20	BNY (OCS) NOMINEES LIMITED	1,707,708	1.11
MR JAMES PRATT	500,000	0.20	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <909731>	1,376,000	0.89
MR NIGEL PILCHER + MRS FRANCES PILCHER <PLICHER SUPER FUND A/C>	444,000	0.18	BNY MELLON NOMINEES LIMITED <BSDTAGG>	1,206,650	0.78
NBT PTY LTD	400,000	0.16	AURORA NOMINEES LIMITED <2126900>	1,183,920	0.77
MR IAN FRASER MCMANAMEY	376,266	0.15	BARCLAYSHARE NOMINEES LIMITED	930,012	0.60

Additional Securities Exchange Information as at 25 January 2013

Secretary
Tom Rowe

Chief Financial Officer
Stephen Blundell

Registered Office & Principal Administration Office
Level 2, Pier 8/9
23 Hickson Road
Millers Point Sydney NSW 2000
Australia

Share Registry
Computershare Registry Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
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 Depository Interests under the ticker "ESG".