



eServGlobal Limited

ABN 59 052 947 743

*Financial report for the financial
year ended 30 June 2009*

eServGlobal Limited

Annual financial report for the financial year ended 30 June 2009

	Page
Directors' report	2
Auditor's independence declaration	16
Corporate governance statement	17
Independent audit report	23
Directors' declaration	25
Income statement	26
Balance sheet	27
Statement of recognised income and expense	28
Cash flow statement	29
Notes to the financial statements	30
Additional securities exchange information	76

eServGlobal Limited

Directors' report

The directors of eServGlobal Limited submit herewith the annual financial report for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

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

Name	Particulars
David Smart	<p>Aged 66. Non-executive Chairman and Chairman of the Audit Committee.</p> <p>David held senior executive positions in large scale manufacturing and merchandising businesses for more than 20 years. This includes 13 years as Chief Financial Officer of Tubemakers of Australia Limited and Metal Manufactures Limited. He is a non-executive director of a listed company Saunders International Limited.</p> <p>David holds a Bachelor of Commerce and MBA from the University of New South Wales and is a Fellow of the Australian Society of Certified Practicing Accountants.</p> <p>David has been member of the Board since July 2000 and was appointed the Chairman on 23 July 2009.</p>
Richard Mathews	<p>Aged 45. Director and Chief Executive Officer.</p> <p>Richard has over 20 years management experience in telecommunications, software and investment.</p> <p>Prior to joining eServGlobal, he established MHB Holdings, and held the position of Managing Partner. Previous positions include senior Vice President of J.D. Edwards and Chief Executive Officer of Mincom, Australia's largest enterprise software company.</p> <p>Richard joined the Board in July 2009, and was appointed as a director on 23 July 2009.</p>
François Barrault	<p>Aged 49. Non-executive director.</p> <p>Francois was formerly CEO of BT Global services and member of the board and the operating committee of BT Group PLC until October 2008. François joined BT group in April 2004 as President of BT International. He has played significant roles within Lucent Technologies such as President Mobility International and President and CEO EMEA. Prior to Lucent, François worked at Ascend Communications, where he held the position of Senior Vice President, International. He has over 18 years' experience in this industry, including executive positions within IBM, Computervision/Prime and Stratus. François was also co-founder and Chairman of the Board of Astria, an e-commerce software supplier. He has an extensive knowledge of the International and European sector.</p> <p>François holds a Master of Science (D.E.A) in Robotics/AI and an E.D.P in Engineering from the Ecole Centrale de Nantes. François is based in Brussels, Belgium.</p> <p>François has been a member of the Board since March 2003.</p>

Directors' report

Ian Buddery

Aged 51. Non-executive director and Company Secretary.

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

Ian Buddery was Executive Chairman until 23 July 2009.

Anthony M Eisen

Aged 37. Non-executive director.

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

Anthony joined the Board in March 2009.

Anthony Gilbert

Aged 57. Non-executive director and member of the Remuneration and Nominations Committee.

Anthony was formerly Group Strategic Resourcing Director at Vodafone PLC. He joined Vodafone in April 2000 as Group Management Development Director, and was appointed to the Group Policy Committee chaired by Sir Christopher Gent. He was the Global Leadership Development/Group Strategic Resourcing Director from 2005. He was responsible for senior management recruitment and development and supporting the Main Board's Nomination Committee in their identification and appointment of non-executive directors.

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

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

Anthony joined the Board in July 2006.

Michael Jefferies

Aged 53. Alternate non-executive director for Anthony M Eisen.

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

Michael joined the Board in March 2009.

Directors' report

Laurent Lafarge

Aged 49. Former director and former Chief Executive Officer

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

Laurent Lafarge was named by the French Minister for the Economy, Finance and Industry as "Chevalier dans l'Ordre National du Mérite" in 2004.

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

Graham Libbesson

Aged 56. Former non-executive director and former member of the Audit Committee.

Graham has extensive involvement in the IT industry through various directorships, consulting roles, and involvement with investments and transactions. He is a director of a number of private IT companies and ComOps Limited. He is also a consultant to Pitcher Partners Sydney Chartered Accountants and leader of that firm's ICT industry Group. He is a retired managing partner and a senior tax partner of a large firm of chartered accountants. His 31 years of experience as a chartered accountant and tax advisor, together with his strong background in corporate law and governance, and operational experience in the IT industry brought expertise in all areas of the company's activities and commercial transactions.

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

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

Jim Pratt

Aged 60. Former non-executive director and former Chairman of the Remuneration and Nominations Committee.

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

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

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

Directors' report

Directorships of other listed companies

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

Name	Company	Period of Directorship
François Barrault	BT Group plc	24 April 2007 – 31 October 2008
Graham Libbesson	ComOps Limited	27 June 2007 - Ongoing
	East Coast Minerals NL	17 December 2007 - Ongoing
David Smart	Saunders International Limited	22 October 2007 - Ongoing
Anthony M Eisen	MMC Contrarian Limited	12 November 2007 - Ongoing
	Capral Limited	19 October 2006 - 29 August 2008 ⁽ⁱ⁾
		29 August 2008 - Ongoing
	Tower Australia Group Limited	19 December 2006 - 8 August 2008 ⁽ⁱ⁾
	Tower Limited	12 December 2006 - Ongoing ⁽ⁱ⁾
Michael Jefferies	TAFMO Limited	28 June 2004 - Ongoing ⁽ⁱⁱ⁾
	Tower Limited	19 December 2006 - Ongoing
	Metals X Limited	29 December 2006 - Ongoing
	Ozgrowth Limited	31 October 2007 - Ongoing
	MMC Contrarian Limited	4 November 2008 - Ongoing
	Australian Wealth Management Limited	5 November 2004 - 24 April 2007
	Tower Australia Group Limited	8 August 2006 - 8 August 2008
	Capral Limited	6 November 2008 - Ongoing

⁽ⁱ⁾ Alternate director

⁽ⁱⁱ⁾ Non-executive Chairman

Principal activities

eServGlobal develops and implements solutions for mobile payment, convergent charging and rating, network services and messaging products, for telecom service providers, across all legacy and next generation telecom networks.

eServGlobal provides comprehensive services ensuring the success of projects with worldwide implementation, integration and support services. Its innovative solutions help service providers to grow new revenues, reduce churn and lower their costs.

Over 80 of the world's leading telcos are taking advantage of eServGlobal's advanced solutions and expertise to successfully address their business challenges and to manage over 500 million telecommunications customers.

eServGlobal has operations in 15 countries worldwide.

Directors' report

Review of operations

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

The Group achieved sales revenue for the year of \$147.246 million (2008: \$177.934 million) – a decrease of 17%.

A gross profit of \$65.727million was achieved by the Group for the year, a decrease of 31% from \$95.213 million in the previous year, representing a margin of 45% of sales revenue. The net result for the Group for the year was a loss after tax of \$34.525million (2008: profit \$10.540 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

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

Future developments

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

Dividends

In respect of the financial year ended 30 June 2008, as detailed in the directors' report for that financial year, a final dividend of 3.0 cents per share unfranked was paid to the holders of fully paid ordinary shares on 15 September 2008.

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

eServGlobal Limited

Directors' report

Share options

Share options granted to directors and executives

During the financial year and up to the date of this report the company did not grant any options (2008: 660,000) to employees of the entity.

eServGlobal Employee Share Option Plan

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

The company issued nil (2008: 660,000) options during the financial year.

At the date of this report directors, executives and employees are entitled to purchase an aggregate of 3,258,805 (2008: 4,979,478) ordinary shares of the entity at issue prices ranging from \$0.66 to \$0.97 per ordinary share. At 30 June 2009 2,660,454 (2008: 3,336,131) of these options had vested. The options may be exercised at various times up until 26 October 2012. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other body corporate or scheme, and do not participate in any dividends declared.

During the financial year 144,668 options expired. From the financial year end and up to the date of this report 333,337 options lapsed.

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	1,457,142	Ordinary	\$0.66	29-May-11
eServGlobal Limited	500,000	Ordinary	\$0.69	17-Nov-11
eServGlobal Limited	858,330	Ordinary	\$0.69	7-Mar-12
eServGlobal Limited	100,000	Ordinary	\$0.97	26-Sep12
eServGlobal Limited	293,333	Ordinary	\$0.97	4-Oct-12
eServGlobal Limited	50,000	Ordinary	\$0.97	26-Oct-12

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

Issuing Entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
eServGlobal Limited	250,000	Ordinary	\$0.15	\$nil
eServGlobal Limited	250,000	Ordinary	\$0.20	\$nil
eServGlobal Limited	250,000	Ordinary	\$0.40	\$nil
eServGlobal Limited	250,000	Ordinary	\$0.40	\$nil
eServGlobal Limited	242,668	Ordinary	\$0.23	\$nil

Directors' report

Indemnification of officers and auditors

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

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 board meetings, 6 audit committee meetings, and 8 remuneration committee meetings were held.

Directors	Board of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
I Buddery	10	10	-	-	-	-
F Barrault	10	9	-	-	-	-
A Eisen	3	3	-	-	-	-
A Gilbert	10	10	-	-	8	8
L Lafarge	10	9	-	-	-	-
G Libbesson	10	10	6	6	-	-
J Pratt	10	10	-	-	8	8
D Smart	10	8	6	6	-	-

Non-audit services

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

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

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

Auditor's independence declaration

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

Rounding off of amounts

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

Directors' report

Remuneration Report

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

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

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

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

Director and group executive details

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

- D. Smart (Non-executive Chairman, appointed 23 July 2009; previously non-executive director)
- R Mathews (Chief Executive Officer, appointed 1 July 2009 and Director, appointed 23 July 2009)
- F. Barrault (Non-executive)
- I. Buddery (Non-executive director, appointed 23 July 2009; Secretary, appointed 11 July 2008; previously Executive Chairman)
- A. Eisen (Non-executive)
- A. Gilbert (Non-executive)
- M. Jefferies (Alternate for A. Eisen)
- L. Lafarge (Chief Executive Officer, employment concluded 1 July 2009; Director, resigned 23 July 2009)
- G. Libbesson (Non-executive, resigned 23 July 2009)
- J. Pratt (Non-executive, resigned 23 July 2009)

The key executives of the Group for the 2009 financial year were:

- I. Buddery
- L. Lafarge
- G. Lemoing (Chief Information Officer, employment concluded 15 May 2009)
- J G Macleod (Chief Financial Officer, appointed 11 July 2008)
- JP. Labat (Chief Marketing Officer)

Directors' report

Elements of director and executive remuneration

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

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

The former Executive Chairman was remunerated on a salary package basis that included a substantial portion that is a variable component which is dependent on agreed performance objectives. He was fully committed to eServGlobal and was involved in the business on a full time basis. The former Executive Chairman did not have a formal contract, however, his salary and variable components were considered by the Remuneration and Nominations Committee on an annual basis, and adjustments recommended to the Board. The variable component comprised elements relating to achievement of financial plan and specific business objectives.

The former Chief Executive Officer (CEO) was remunerated on a salary package basis that included a substantial portion that is a variable component, which is dependent on agreed performance objectives. His base salary and variable components were reviewed annually by the Remuneration and Nominations Committee and recommended to the Board. The variable component comprised elements relating to achievement of financial plan and specific business objectives. The former CEO was a permanent employee who had a formal contract with no fixed term and a notice period of six months required by either party. The employment of the former CEO was concluded on 1 July 2009.

The Chief Financial Officer (CFO) is remunerated on a salary package basis that includes a portion that is a variable component which is dependent on agreed performance objectives. The CFO has a formal contract which links to the eServGlobal standard conditions of employment. The contract has no set expiry date and the notice period required by both parties is three months. His package is reviewed annually. The CFO's variable component comprises elements relating to achievement of financial plan and specific business objectives.

The former Chief Information Officer (CIO) had a formal contract and was a permanent employee with no fixed term whose employment conditions required 3 months notice for both parties. In the event of termination, payment of termination benefits on cessation of employment is based on his notice period, statutory entitlements and any variable component due on previously agreed objectives. The former CIO's variable component comprised elements related to achievement of financial plan and specific business objectives. The former CIO left the Group on 15 May 2009.

The Chief Marketing Officer (CMO) has a formal contract and is a permanent employee with no fixed term whose employment conditions require 3 months notice for both parties. In the event of termination, payment of termination benefits on cessation of employment is based on his notice period, statutory entitlements and any variable component due on previously agreed objectives. The CMO's variable component comprises elements related to achievement of financial plan and specific business objectives.

eServGlobal Limited

Directors' report

Elements of remuneration which are dependent on company performance

The Board believes that it is critical that the specified employees are driven by the financial performance of eServGlobal and, as detailed below, has structured executive packages so that a substantial portion of the variable component of their packages is directly linked to financial outcomes of eServGlobal. The targets are established annually and are approved by the Remuneration and Nominations Committee following Board 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 accounts. These targets are selected to ensure alignment of shareholders interests with Executive remuneration.

The tables below set out summary information about Group's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Revenue	147,246	177,934	153,951	95,004	38,427
EBITDA	(5,261)	24,162	18,934	10,088	3,318

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year	\$0.820	\$0.960	\$0.600	\$0.920	\$0.245
Share price at end of year	\$0.455	\$0.820	\$0.960	\$0.600	\$0.920
Interim dividend	-	-	-	-	-
Final dividend ^{1, 2}	-	3.0 cps	2.0 cps	1.2 cps	1.0 cps
Basic earnings per share	(20.1)	6.1	3.2	1.7	4.1 ³
Diluted earnings per share	(20.1)	6.0	3.2	1.7	3.9 ³

¹ Final dividends declared for the financial years ending June 2005 and June 2006 were franked to 100% at 30% corporate income tax rate. Final dividends declared for the financial years ending June 2007 and June 2008 are unfranked.

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

³ The results for year ending 30 June 2005 have been re-stated for A-IFRS, the basic earnings per share and diluted earnings per share reported under superseded policies were 1.0 cents.

eServGlobal Limited

Directors' report

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

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

- (i) A Eisen and M Jefferies have agreed that they will receive no benefit for their services.
- (ii) Termination benefits were provided for in the current financial year and with respect to the former Executive Chairman and CEO were paid early in the 2010 financial year.
- (iii) Key management personnel are remunerated on a salary package basis that includes an appropriate portion that is a variable component which is dependent on company performance and individual performance objectives. Key management personnel had their variable pay components confirmed in conjunction with the completion of the accounts. The variable components for key management personnel were confirmed on the achievement of revenue and earnings before interest, tax, depreciation and amortisation components and/or on the achievement of performance criteria established during the year. These amounts, related to the current year performance, will be paid in cash prior to 30 November 2009.
- (iv) Paid in Euros and subject to foreign exchange fluctuations at Group level.

eServGlobal Limited

Directors' report

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

2008	Short-term employee benefits			Post Employment benefits	Share based payments	Termination Benefits	Other long term employee benefits (v)	Total	Percentage of remuneration related to performance
	Salary & fees	Bonus (incl. variable pay component)	Non-monetary	Superannuation	Options				Total
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors									
F Barrault	69,353	-	-	-	-	-	-	69,353	-
A Gilbert	76,916	-	-	-	60,038	-	-	136,954	-
G Libbesson	33,000	-	-	51,475	-	-	-	84,475	-
J Pratt	77,500	-	-	6,975	-	-	-	84,475	-
D Smart	-	-	-	84,475	-	-	-	84,475	-
Executive Officers									
I Buddery (vi)	287,861	191,478	-	13,129	-	-	-	492,468	38.9
L Lafarge (v) (vi) (vii)	317,508	142,219	35,970	-	58,322	-	18,947	572,966	28.1
J M Hartigan (vi) (viii)	240,000	6,357	-	43,129	-	140,000	-	429,486	1.5
G Lemoing (v) (vi) (vii)	270,390	72,392	26,957	91,057	-	-	18,947	479,743	19.0
JP Labat (v) (vi) (vii)	203,790	127,850	20,894	-	-	-	18,947	371,481	39.5
Total	1,576,318	540,296	83,821	290,240	118,360	140,000	56,841	2,805,876	-

(v) For companies in France employing 50 or more people profit-sharing is compulsory and is set up by an agreement. It is calculated according to a formula based on taxable income and distributed amongst employees in proportion to their wages and, in certain cases, their service. The profit-sharing funds are deposited in a corporate investment fund or savings plan and are paid after either 3 or 5 years as agreed with the employee. In the current financial year the profit sharing arrangement has been aligned with the remuneration policies of the consolidated group resulting in additional contributions being made.

(vi) Key management personnel are remunerated on a salary package basis that includes an appropriate portion that is a variable component which is dependent on company performance and individual performance objectives. Key management personnel had their variable pay components confirmed in conjunction with the completion of the accounts. The variable components for key management personnel were confirmed on the successful achievement of revenue and earnings before interest, tax, depreciation and amortisation components and/or on the achievement of performance criteria established during the year. These amounts, related to the current year performance, will be paid in cash prior to 30 November 2008.

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

(viii) The CFO's contract was terminated by mutual agreement on the 11th July 2008. Termination benefits were provided for in the current financial year and paid to the departing employee early in the 2009 financial year.

Directors' report

Directors' shareholdings

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

Directors	Fully paid ordinary shares	Executive share options
I Buddery ¹	15,055,982	-
F Barrault	500,000	-
A Eisen ²	37,301,296	-
A Gilbert	90,000	500,000
M Jefferies ²	37,301,296	-
	17,322,713 ³	
R Mathews	206,683 ⁴	-
J Pratt	500,000	-
L Lafarge	-	100,000

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

² Shares held by Guinness Peat Group of which Anthony Eisen and Michael Jefferies are both Executives.

³ Relevant interest held in shares registered in the name of MHB Holdings Pty Ltd in which Richard Mathews holds an interest.

⁴ Relevant interest held in shares registered in the name of Paua Pty Ltd in which Richard Mathews holds an interest.

Value of options issued to directors and executives

Options which were granted to or vested in directors and executives in the current financial year were as follows:

Name	Options series	During the financial year				% of compensation for the year consisting of options
		No. granted	No. vested	% of grant vested	% of grant forfeited	
A Gilbert	Issued 17 November 2006	-	166,667	66.66	-	20.5%
L Lafarge	Issued 26 September 2007	-	100,000	33.33	-	3.8%

Executives 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 executive.

During the financial year no options were forfeited as a result of a condition required for vesting not being satisfied.

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

Name	Value of options granted at the grant date (i) \$	Value of options exercised at the exercise date \$	Value of options expired \$
F Barrault	-	112,500	-

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

- Value at grant date represents fair value of the option at grant date multiplied by the number of options granted during the year.
- Value at exercise date represents fair value of the ordinary share received upon exercise of the option, less the option exercise price multiplied by the number of options exercised during the year.

eServGlobal Limited

Directors' report

During the year, the following directors and executives exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of eServGlobal Limited.

Name	No. of options exercised	No. of ordinary shares of eServGlobal Limited	Amount paid	Amount unpaid
F Barrault	250,000	250,000	\$0.15	\$nil
F Barrault	250,000	250,000	\$0.40	\$nil

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
12 November 2003 ⁽ⁱⁱ⁾	12/11/2003	2008	\$0.2	\$0.137
12 November 2003 ⁽ⁱⁱ⁾	12/11/2003	2008	\$0.4	\$0.114
20 December 2003 ⁽ⁱⁱ⁾	20/12/2003	2008	\$0.15	\$0.145
20 December 2003 ⁽ⁱⁱ⁾	20/12/2003	2008	\$0.4	\$0.106
17 November 2006 ⁽ⁱ⁾	17/11/2006	2011	\$0.69	\$0.297
26 September 2007 ⁽ⁱ⁾	26/09/2007	2012	\$0.97	\$0.430

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 on the third anniversary date from the date of issue and expire five years from the date of issue.

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

On behalf of the Board



David Smart
Chairman
25 August, 2009

25 August 2009
The Board of Directors
eServGlobal Limited
Level 3
6 O'Connell Street
Sydney NSW 2000

Dear Board Members

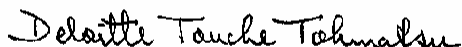
eServGlobal Limited

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 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

eServGlobal Limited

Corporate governance statement

The eServGlobal Limited group (“eServGlobal”), through its Boards and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with eServGlobal. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

This statement outlines the main corporate governance practices of eServGlobal during the financial year and the extent of eServGlobal’s compliance with them as at the end of the financial year, by reference to the Corporate Governance Reporting Principles and Recommendations published in August 2007 by the ASX Corporate Governance Council, and to the Corporations Act 2001.

ASX Corporate Governance Principles and Recommendations

The 8 essential corporate governance principles and the recommendations on how to achieve best practice for each principle are set out below with a comment for each recommendation about eServGlobal compliance.

Principle 1. Lay solid foundations for management and oversight

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

The primary responsibilities of eServGlobal’s board include:

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

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

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

The primary responsibilities of senior management are:

- (i) Achieve the Annual Business Plan revenue target
- (ii) Operate the business within the cost budget set out in the Annual Business Plan
- (iii) Ensure the highest standards of quality and service are delivered to customers
- (iv) Ensure that employees are supported, developed and rewarded to the appropriate professional standards
- (v) Ensure that the company continues to produce innovative technology and leading products

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 board Remuneration and Nominations committee. They are assessed against personal and Company Key Performance Indicators established at the start of each calendar year for each individual.

eServGlobal Limited

Corporate governance statement

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

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed.

A Statement covering the primary responsibilities of the Board is set out in 1.1 above.

A Statement covering the primary responsibilities of the senior executives is set out in 1.1 above.

A copy of the board charter is not publicly available.

Principle 2. Structure the board to add value

2.1 Independent directors to make up the majority of board members.

During the reporting period, the eServGlobal board consisted of six non-executive directors, and two executive directors, being the Executive Chairman & Chief Executive Officer. Five of these directors (a majority) are considered independent directors.

David Smart, Francois Barrault, Jim Pratt*, Graham Libbesson* and Anthony Gilbert are independent. Anthony Eisen, Laurent Lafarge* and Ian Buddery are not independent.

2.2 Chairperson.

Ian Buddery was the Executive Chairman for the 2009 year. He is not independent.

2.3 Chief Executive Officer.

Laurent Lafarge was the Chief Executive Officer throughout the 2009 year.

2.4 A nomination committee should be established.

The Remuneration and Nomination committee is established.

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

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

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 2009 Directors Report.

David Smart, Francois Barrault, Jim Pratt, Graham Libbesson and Anthony Gilbert are considered independent because they have no significant shareholding in the company and are not employed by the company.

eServGlobal Limited

Corporate governance statement

Directors are able to take independent professional advice at the expense of the company, with the prior agreement of the Chairman or the Remuneration and Nomination committee.

The Remuneration and Nomination committee consisted of Jim Pratt and Anthony Gilbert. Eight meetings were held during the year, attended by both members.

An evaluation of the board directors took place during the reporting period and was in accordance with the process described in 2.5 above.

New directors are selected by the Remuneration and Nomination committee and their appointment voted by the board. Each year, 1/3rd of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

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

A copy of the policy for the nomination and appointment of directors is not publicly available.

Principle 3. Promote ethical and responsible decision-making

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

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

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

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

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

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

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

- A director, employee or an associate of any of them shall not:
 - engage in short term trading of the company's securities;
 - deal in the company's securities when he or she is in possession of insider information, or unpublished price sensitive information;
 - deal in the company's securities in the periods from the end of the financial year or half year until the results of those periods are released.
- A director, employee or an associate of any of them shall not deal in the company's securities at any time without prior approval as specified in the Securities Dealing Policy. In this regard, a director or senior executive is required to advise the chairman of the board before commencing a transaction, and other employees are required to advise the secretary before commencing the transaction. In all cases prior written approval is required. Applications to trade and approvals have to follow the

eServGlobal Limited

Corporate governance statement

processes set out in the Securities Dealing Policy.

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

Principle 4. Safeguard integrity in financial reporting

4.1 *Establish an audit committee.*

The company has an Audit Committee.

4.2 *Audit committee composition.*

The Audit committee consisted of David Smart (Chairman) and Graham Libbesson, both of whom are independent, qualified and experienced accountants. The board believes that the audit committee is of an appropriate size for the company.

4.3 *A formal charter should be established for the audit committee.*

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 audit committee met six times during the course of the year.

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

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

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 *Written policies and procedures should be established to ensure an entity complies with the ASX Listing Rule disclosure requirements and that senior management is accountable for compliance.*

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

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

The company's continuous disclosure obligations are reviewed continuously by the Chairman and the Chief Executive Officer, with full observance of the listing rules and the Corporations Act.

eServGlobal Limited

Corporate governance statement

5.2 The company's continuous disclosure policy is described above.

Principle 6. Respect the rights of shareholders

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

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

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

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

6.2 The company's communications policy is described in 5.1 and 6.1 above.

Principle 7. Recognise and manage risk

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

The company has established policies for the oversight and management of material business risks.

The board monitors the risks and internal controls of eServGlobal through the Audit Committee. The Audit Committee looks to the CEO and CFO to ensure that an adequate system is in place to identify and, where possible, on a cost effective basis, to manage risks inherent in the business, and to have appropriate internal controls.

As part of the process, eServGlobal's management formally identifies and assesses the risks to the business, and these assessments are noted by the audit committee and the board.

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 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 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 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.

Corporate governance statement

Principle 8. Remunerate fairly and responsibly

8.1 *Establish a remuneration committee.*

The Company has established a Remuneration and Nomination committee.

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

Non-executive directors are paid a 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 entitlements upon retirement or termination, are reviewed annually with due regard to performance.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors.

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

The company prohibits transactions in associated products which limit risk of participating in unvested entitlements under any equity based remuneration schemes.

Notes:

* Laurent Lafarge, Jim Pratt and Graham Libbesson retired from the Board in July 2009.

Independent Audit 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 balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 25 to 75.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of eServGlobal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of eServGlobal Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants
Sydney, 25 August 2009

Directors' declaration

The directors declare that:

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

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

On behalf of the Directors



David Smart
Chairman
25 August, 2009

Income Statement for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	2	147,246	177,934	9,652	7,432
Cost of sales		(81,519)	(82,721)	(7,746)	(6,285)
Gross profit		65,727	95,213	1,906	1,147
Other revenue	2	421	272	6,493	5,041
Research and development expenses		(17,906)	(25,062)	-	-
Sales and marketing expenses		(24,650)	(20,271)	(1,533)	(370)
Administration expenses		(28,853)	(25,990)	(2,707)	(2,413)
Earnings before interest, tax, depreciation, amortisation and impairment		(5,261)	24,162	4,159	3,405
Amortisation	3	(7,783)	(6,883)	-	-
Impairment of goodwill	14	(12,501)	-	-	-
Impairment of loan to subsidiary	11	-	-	(12,583)	-
Depreciation	3	(3,284)	(2,997)	(56)	(100)
Earnings before interest and tax		(28,829)	14,282	(8,480)	3,305
Finance costs	3	(262)	(400)	-	(1)
(Loss)/profit before tax	3	(29,091)	13,882	(8,480)	3,304
Income tax expense	4	(5,434)	(3,342)	(561)	(1,219)
(Loss)/profit for the year		(34,525)	10,540	(9,041)	2,085
Attributable to:					
Equity holders of the parent		(34,743)	10,391	(9,041)	2,085
Minority interest		218	149	-	-
		(34,525)	10,540	(9,041)	2,085
Earnings/(loss) per share					
Basic (cents per share)	22	(20.1)	6.1		
Diluted (cents per share)	22	(20.1)	6.0		

eServGlobal Limited

Balance Sheet as at 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	28 (a)	14,135	18,288	11,948	9,626
Trade and other receivables	8	63,493	80,120	12,682	8,493
Inventories	10	623	1,456	-	-
Current tax receivables	4	7,368	5,555	-	-
Total current assets		85,619	105,419	24,630	18,119
Non-current assets					
Trade and other receivables	11	-	5,077	53,389	63,189
Other financial assets	12	-	-	38,432	38,432
Property, plant and equipment	13	4,891	5,855	83	85
Goodwill	14	35,483	46,804	-	-
Other intangible assets	15	20,383	22,544	-	-
Deferred tax assets	4	2,929	6,715	485	675
Total non-current assets		63,686	86,995	92,389	102,381
Total assets		149,305	192,414	117,019	120,500
Current liabilities					
Trade and other payables	16	31,963	46,164	742	1,128
Current tax payables	4	930	86	-	-
Provisions	17	5,562	5,346	155	128
Other	18	7,219	7,432	2,262	62
Total current liabilities		45,674	59,028	3,159	1,318
Non-current liabilities					
Deferred tax liabilities	4	8,040	8,510	390	207
Provisions	17	537	1,331	-	-
Total non-current liabilities		8,577	9,841	390	207
Total liabilities		54,251	68,869	3,549	1,525
Net assets		95,054	123,545	113,470	118,975
Equity					
Issued capital	19	123,946	115,325	123,946	115,325
Reserves	20	4,411	1,638	1,088	1,042
(Accumulated losses)/retained earnings	21	(33,338)	6,536	(11,564)	2,608
Equity attributable to equity holders of the parent		95,019	123,499	113,470	118,975
Minority interest		35	46	-	-
Total equity		95,054	123,545	113,470	118,975

Notes to the financial statements are included on pages 30 to 75

eServGlobal Limited

Statement of recognised income and expense for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Translation of foreign operations:					
Exchange differences taken to equity	20	2,727	1,690	-	-
Net income recognised directly in equity		<u>2,727</u>	<u>1,690</u>	<u>-</u>	<u>-</u>
 (Loss)/profit for the year		 <u>(34,525)</u>	 <u>10,540</u>	 <u>(9,041)</u>	 <u>2,085</u>
 Total recognised income and expense for the year		 <u>(31,798)</u>	 <u>12,230</u>	 <u>(9,041)</u>	 <u>2,085</u>
 Attributable to:					
Equity holders of the parent		(32,016)	12,081	(9,041)	2,085
Minority interest		218	149	-	-
		<u>(31,798)</u>	<u>12,230</u>	<u>(9,041)</u>	<u>2,085</u>

Notes to the financial statements are included on pages 30 to 75

Cash flow statement for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers		159,013	176,215	9,113	3,583
Payments to suppliers and employees		(165,926)	(153,173)	(7,219)	(7,605)
Interest and other costs of finance paid		(262)	(400)	-	(1)
Income tax (paid)/refunded		5,081	(10,008)	(386)	(242)
Net cash (used in)/provided by operating activities	28(c)	(2,094)	12,634	1,508	(4,265)
Cash flows from investing activities					
Interest received		271	196	228	170
Payment for property, plant and equipment	13	(2,159)	(4,184)	(54)	(59)
Software development costs	15	(4,035)	-	-	-
Net cash (used in)/provided by investing activities		(5,923)	(3,988)	174	111
Cash flows from financing activities					
Proceeds from issues of equity securities	19	8,460	228	8,460	228
Loans repaid from / (advanced to) subsidiaries		-	-	(2,689)	15,868
Dividends paid	23	(5,131)	(3,408)	(5,131)	(3,408)
Net cash (used in)/provided by financing activities		3,329	(3,180)	640	12,688
Net increase/(decrease) in cash held		(4,688)	5,466	2,322	8,534
Cash and cash equivalents at the beginning of the financial year		18,288	12,528	9,626	1,092
Effects of exchange rate changes on the balance of cash held in foreign currencies		535	294	-	-
Cash and cash equivalents at the end of the financial year	28(a)	14,135	18,288	11,948	9,626

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES

Adoption of new and revised Accounting Standards

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

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements (revised September 2007)	1 January 2009	30 June 2010
AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 123 'Borrowing Costs' (revised)	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' and AASB 127 'Consolidated and Separate Financial Statements'	1 July 2009	30 June 2010
AASB 2007-10 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009	30 June 2010
AASB 2009-6 'Amendments to Australian Accounting Standards'	1 January 2009	30 June 2010
AASB 2009-7 'Amendments to Australian Accounting Standards'	1 July 2009	30 June 2010
AASB – 2009-4 Amendments to Australian Accounting Standards arising from the annual improvements process	1 July 2009	30 June 2010
AASB – 2009-5 Further Amendments to Australian Accounting Standards arising from the annual improvements process	1 July 2010	30 June 2011

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Statement of compliance

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

The financial report includes the separate financial statements of the company and 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 and Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 25 August 2009.

Basis of preparation

The financial report has 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 report 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 report:

(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 balance sheet.

(b) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

Defined contribution plans

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

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) *Financial assets*

Investments

Investments in subsidiaries are recognised at cost, less impairment losses, in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets, 'held to maturity investments' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

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

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

(d) *Financial instruments issued by the company*

Debt and equity instruments

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

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- The amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the Group's revenue recognition policies.

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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

Other financial liabilities

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

Trade payables

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

(e) *Foreign currency*

Foreign currency transactions

All foreign currency transactions arising during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not re-translated.

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

Foreign operations

All overseas subsidiaries, other than those that are part of the eServGlobal Holdings SAS group, report in their functional currency of AUD, in accordance with the requirements of AASB 121 “The Effects of Changes in Foreign Currency Exchange Rates” and as a consequence all exchange rate translation differences are taken to profit or loss. The eServGlobal Holdings SAS group reports in its functional currency of EUR and on consolidation, the assets and liabilities of the eServGlobal Holdings SAS group are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

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

Notes to the Financial Statements for the financial year ended 30 June 2009

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

(g) Goodwill

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

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

(h) Impairment of assets

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) *Income tax*

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

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

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(j) Intangible assets

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

Software and Documentation

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

Customer Relationships

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

(k) Inventories

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

(l) Leases

Operating lease payments, where substantially all of the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

(m) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Notes to the Financial Statements for the financial year ended 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(m) Basis of consolidation (continued)

Minority interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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, plus any cost directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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

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

(n) Property, plant and equipment

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

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

The following estimated useful lives are used in the calculation of depreciation:

Office furniture and fittings	5 years
Plant and equipment	3 years
Leasehold improvements	over the period of the lease

Notes to the Financial Statements for the financial year ended 30 June 2009

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 estimated 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 estimated 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.

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 30 June 2009

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Revenue recognition

Sale of Goods and Licences

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

Rendering of Services

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

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

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

Revenue from Support, Maintenance and Facilities Management Agreements

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

Work in Progress

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

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

(r) Share-based payments

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

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

(s) Derivative financial instruments and hedge accounting

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

Notes to the Financial Statements for the financial year ended 30 June 2009

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 balance sheet date are recognised in the balance sheet 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 the income statement. 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 report 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 balance sheet 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 14.

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.

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
2. REVENUE				
Revenue from continuing operations consisted of the following items:				
Revenue from the sale of goods	74,435	101,567	3,786	1,955
Revenue from the rendering of services	72,811	76,367	4,761	4,077
Fees from subsidiaries	-	-	1,105	1,400
	147,246	177,934	9,652	7,432
<i>Interest revenue:</i>				
Bank deposits	271	196	228	170
Subsidiaries	-	-	3,415	4,795
	271	196	3,643	4,965
Other revenue	150	76	150	76
Dividends from subsidiaries	-	-	2,700	-
	421	272	6,493	5,041
	147,667	178,206	16,145	12,473
3. (LOSS)/PROFIT BEFORE TAX				
(Loss)/profit before tax has been arrived at after charging the following expenses from continuing operations:				
Net foreign exchange loss/(gain)	632	677	(166)	87
Finance costs:				
Interest - other entities	262	400	-	1
Depreciation of non-current assets:				
Office furniture and fittings	599	685	-	-
Leasehold improvements	19	26	11	16
Plant and equipment	2,666	2,286	45	84
	3,284	2,997	56	100
Amortisation of intangible assets:				
Customer relationships, software and documentation	7,783	6,883	-	-
Operating lease rental expenses:				
Minimum lease payments	4,365	3,246	135	140
Net loss on disposal of non-current assets				
Plant and equipment	32	5	-	5

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(LOSS)/PROFIT BEFORE TAX				
3. (continued)				
Employee benefit expense:				
Contributions to defined contribution plans	221	197	221	197
	<u>221</u>	<u>197</u>	<u>221</u>	<u>197</u>
Share-based payments:				
Equity settled share-based payments	207	348	207	348
	<u>207</u>	<u>348</u>	<u>207</u>	<u>348</u>
Staff redundancies and termination costs	7,691	140	150	140
	<u>7,691</u>	<u>140</u>	<u>150</u>	<u>140</u>
4. INCOME TAXES				
(a) Income tax recognised in (loss)/profit				
Tax expense comprises:				
Current tax expense/(income)	3,658	3,472	176	(1,051)
Adjustments recognised in the current year in relation to the current tax of prior years	43	123	12	79
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	1,733	(253)	373	2,191
Total tax expense	<u>5,434</u>	<u>3,342</u>	<u>561</u>	<u>1,219</u>
The prima facie income tax expense on pre-tax accounting (loss)/profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Loss)/profit from operations	(29,091)	13,882	(8,480)	3,304
Income tax (benefit)/expense calculated at 30%	(8,727)	4,165	(2,544)	991
	<u>(29,091)</u>	<u>13,882</u>	<u>(8,480)</u>	<u>3,304</u>
Non-deductible expenses	1,014	1,533	128	149
Foreign withholding tax credits not utilised	2,544	-	-	-
Non-deductible impairment loss	3,549	-	3,775	-
Deferred tax assets not recognised	8,105	-	-	-
Non-assessable item – research tax credits	(1,165)	(1,711)	-	-
Non-assessable income	(105)	(1,544)	-	-
Effect of different tax rate in foreign operations	176	751	-	-
Effect on deferred tax balances due to change of rate in other jurisdiction	-	25	-	-
Non assessable dividend	-	-	(810)	-
Under provision of income tax in previous year	43	123	12	79
	<u>5,434</u>	<u>3,342</u>	<u>561</u>	<u>1,219</u>

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

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
4. INCOME TAXES (continued)				
(b) Current tax assets and liabilities				
Current tax assets:				
Tax refund receivables	7,368	5,555	-	-
Current tax payables:				
Income tax payables	930	86	-	-

Deferred tax balances

Deferred tax assets and liabilities arise from the following:

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

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2009

4. INCOME TAXES (continued)

2008	Consolidated			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax liabilities:				
Accrued income	132	75	-	207
Exchange difference on foreign subsidiary	-	-	190	190
Property, plant and equipment	89	51	-	140
Intangible assets	9,535	(1,562)	-	7,973
	<u>9,756</u>	<u>(1,436)</u>	<u>190</u>	<u>8,510</u>
Deferred tax assets:				
Tax losses – revenue	3,408	(592)	-	2,816
Foreign tax credits	392	(378)	-	14
Property, plant and equipment	121	(11)	-	110
Deferred income	39	9	-	48
Accrued costs	2,801	(122)	-	2,679
Retirement provisions	355	103	-	458
Exchange difference on foreign subsidiary	562	-	(338)	224
Other - AIM listing costs	34	(17)	-	17
Other - share issue expenses	524	(175)	-	349
	<u>8,236</u>	<u>(1,183)</u>	<u>(338)</u>	<u>6,715</u>

2009	Company		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax liabilities:			
Accrued income	207	183	390
	<u>207</u>	<u>183</u>	<u>390</u>
Deferred tax assets:			
Tax losses – revenue	57	(20)	37
Property, plant and equipment	37	(24)	13
Accrued costs	215	(31)	184
Other - AIM listing costs	17	(17)	-
Other - share issue expenses	349	(175)	174
Other	-	77	77
	<u>675</u>	<u>(190)</u>	<u>485</u>

Notes to the financial statements for the financial year ended 30 June 2009

4. INCOME TAXES (continued)

2008	Company		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax liabilities:			
Accrued income	132	75	207
	<u>132</u>	<u>75</u>	<u>207</u>
Deferred tax assets:			
Tax losses – revenue	1,184	(1,127)	57
Foreign tax credits	392	(392)	-
Trade receivables	200	(200)	-
Property, plant and equipment	34	3	37
Accrued costs	423	(208)	215
Other - AIM listing costs	34	(17)	17
Other - share issue expenses	524	(175)	349
	<u>2,791</u>	<u>(2,116)</u>	<u>675</u>

Tax consolidation

Relevance of tax consolidation to the consolidated entity

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

Nature of tax funding arrangements and tax sharing agreements

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

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

Notes to the financial statements for the financial year ended 30 June 2009

5. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation policy

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

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	2,233,984	2,200,435	913,356	982,465
Post-employment benefits	180,138	290,240	180,138	199,183
Termination benefits	1,213,560	140,000	150,000	140,000
Other long term employee benefits	-	56,841	-	-
Share-based payment	73,827	118,360	27,367	60,038
	<u>3,701,509</u>	<u>2,805,876</u>	<u>1,270,861</u>	<u>1,381,686</u>

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS

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

During the financial year, the company did not issue any options (2008: 660,000).

Under the eServGlobal Employee Share Option Plan, established 4 August 2000 to assist in the attraction, retention and motivation of employees and Directors of the company and its related bodies corporate, at 30 June 2009, executives and employees are entitled to purchase an aggregate of 3,592,142 (2008: 4,979,478) ordinary shares of the entity at an exercise price ranging from \$0.66 to \$0.97 (2008: \$0.15 to 0.97) per ordinary share. At 30 June 2009 2,660,454 (2008: 3,336,131) of these options had vested. The options may be exercised at various times up until 26 October 2012. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other body corporate or scheme, and do not participate in any dividends declared.

Notes to the financial statements for the financial year ended 30 June 2009

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

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

Option Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at grant date
Issued 12 November 2003 ⁽ⁱⁱ⁾	250,000	12-Nov-03	2008	0.20	34,250
Issued 12 November 2003 ⁽ⁱⁱ⁾	250,000	12-Nov-03	2008	0.40	28,500
Issued 20 December 2003 ⁽ⁱⁱ⁾	250,000	20-Dec-03	2008	0.15	72,500
Issued 20 December 2003 ⁽ⁱⁱ⁾	250,000	20-Dec-03	2008	0.40	53,000
Issued 30 June 2004 ⁽ⁱ⁾	387,336	30-Apr-04	2009	0.23	161,913
Issued 29 May 2006 ⁽ⁱⁱⁱ⁾	1,457,142	29-May-06	2011	0.66	364,286
Issued 17 November 2006 ⁽ⁱ⁾	500,000	17-Nov-06	2011	0.69	148,333
Issued 7 March 2007 ⁽ⁱ⁾	975,000	07-Mar-07	2012	0.69	321,750
Issued 26 September 2007 ⁽ⁱ⁾	300,000	26-Sep-07	2012	0.97	129,100
Issued 4 October 2007 ⁽ⁱ⁾	310,000	04-Oct-07	2012	0.97	136,917
Issued 26 October 2007 ⁽ⁱ⁾	50,000	26-Oct-07	2012	0.97	21,367

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

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

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

There were no share options granted during the financial year (2008: 660,000). The weighted average fair value of the share options granted during 2008 financial year was \$0.435.

Options issued November 2003 to June 2004

Options were priced with the assistance of an appropriately qualified expert using the Black Scholes 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 semi-annual historical volatility of share prices as at the grant date. The interest rate has been derived from swap market interest rates on the valuation date in the model. This data is sourced from the Bloomberg financial data provider.

Notes to the financial statements for the financial year ended 30 June 2009

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

Inputs into the models

Inputs into the models for the series of options issued from September 2000 to June 2004 are:

Issue Date	Underlying Price	Exercise Price	Expiry Date	Vesting Date	Expected Life	Interest Rate	Historical Volatility
12-Nov-03	\$0.20	\$0.20	12-Nov-08	12-Nov-06	12-Nov-07	6.07%	110.43%
12-Nov-03	\$0.20	\$0.40	12-Nov-08	12-Nov-06	12-Nov-07	6.07%	110.43%
20-Dec-03	\$0.21	\$0.15	20-Dec-08	20-Dec-06	20-Dec-07	5.87%	97.18%
20-Dec-03	\$0.21	\$0.40	20-Dec-08	20-Dec-06	20-Dec-07	5.87%	97.18%
30-Jun-04	\$0.25	\$0.23	30-Jun-09	30-Jun-05	30-Jun-07	5.48%	107.44%
30-Jun-04	\$0.25	\$0.23	30-Jun-09	30-Jun-06	30-Dec-07	5.79%	107.44%
30-Jun-04	\$0.25	\$0.23	30-Jun-09	30-Jun-07	30-Jun-09	5.84%	107.44%

Options issued since June 2004

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

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

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

Notes to the financial statements for the financial year ended 30 June 2009

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

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

	2009		2008	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at the beginning of the year	4,979,478	0.602	5,302,935	0.497
Granted during the year	-	-	660,000	0.970
Exercised during the financial year	(1,242,668)	0.277	(933,457)	0.244
Expired during the year	(144,668)	0.230	(50,000)	1.00
Balance at the end of the year	3,592,142	0.729	4,979,478	0.602
Exercisable at the end of the financial year	2,660,454	0.697	3,336,131	0.503

Exercised during the financial year

The following options were exercised during the financial year:

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

Notes to the financial statements for the financial year ended 30 June 2009

6. EXECUTIVE AND EMPLOYEE SHARE OPTIONS (continued)

The following options were exercised during the previous financial year:

Issued	Number Exercised	Exercise Date	Share Price at Exercise Date \$
1-Jan-00	37,454	6-Sep-07	0.95
4-Sep-02	50,000	30-Aug-07	0.95
4-Sep-02	106,666	9-Aug-07	0.98
20-Dec-03	500,000	4-Jun-08	0.93
30-Jun-04	87,000	9-Oct-07	1.08
30-Jun-04	40,000	30-Nov-07	1.08
30-Jun-04	42,002	9-Aug-07	0.98
30-Jun-04	22,001	4-Mar-08	1.15
30-Jun-04	10,000	9-Aug-07	0.98
30-Jun-04	13,334	23-Apr-08	1.06
30-Jun-04	20,000	8-Jan-08	1.20
30-Jun-04	5,000	26-Oct-07	1.05
	<u>933,457</u>		

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 29 May 2006	1,457,142	1,457,142	-	2011	\$0.66	698
Issued 17 November 2006	500,000	333,333	166,667	2011	\$0.69	870
Issued 7 March 2007	975,000	649,986	325,014	2012	\$0.69	981
Issued 26 September 2007	300,000	100,000	200,000	2012	\$0.97	1,184
Issued 4 October 2007	310,000	103,327	206,673	2012	\$0.97	1,192
Issued 26 October 2007	50,000	16,666	33,334	2012	\$0.97	1,214
	<u>3,592,142</u>	<u>2,660,454</u>	<u>931,688</u>			

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
7. REMUNERATION OF AUDITORS				
Auditor of the Parent Entity				
Auditing of the financial report	225,750	228,000	225,750	228,000
Other services – Taxation advice	-	6,500	-	6,500
Other services – Other	550	5,775	550	5,775
	<u>226,300</u>	<u>240,275</u>	<u>226,300</u>	<u>240,275</u>
Other Auditors				
Auditing the financial report	335,353	306,405	-	-
Other services – Taxation	14,982	11,047	-	-
	<u>350,335</u>	<u>317,452</u>	<u>-</u>	<u>-</u>
	<u>576,635</u>	<u>557,727</u>	<u>226,300</u>	<u>240,275</u>

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 Euros and are subject to exchange rate fluctuations.

	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
8. CURRENT TRADE AND OTHER RECEIVABLES				
Trade receivables (i)	47,973	57,123	3,695	2,658
Prepayments	2,625	2,342	86	91
Goods and services tax receivable	1,602	2,438	93	124
Amount owed by subsidiaries	-	-	7,501	4,931
Work in progress (Note 9)	10,203	14,911	1,299	687
Deposits	1,090	3,306	8	2
	<u>63,493</u>	<u>80,120</u>	<u>12,682</u>	<u>8,493</u>

- (i) The average credit period on sales of goods and rendering of services is 60 days (2008: 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 and Company's outstanding trade receivables consist of large Telecommunication companies and are considered high quality creditworthy customers.

Notes to the financial statements for the financial year ended 30 June 2009

8. CURRENT TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balance are debtors with a carrying amount of \$17.3 million (2008: \$14.5 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. In the current year, a provision, and subsequent write-off, in relation to the credit quality of a specific customer account was recognised, as detailed below. The average days overdue for these receivables is 64 days (2008: 56 days).

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Ageing of past due but not impaired				
By up to 30 days	7,878	8,364	22	471
30 - 90 days	5,569	3,214	21	243
90 - 120 days	487	405	-	206
120 + days	3,367	2,498	-	141
	<u>17,301</u>	<u>14,481</u>	<u>43</u>	<u>1,061</u>
Movement in allowance for doubtful debts				
Balance at the beginning of the year	-	-	-	-
Impairment losses recognised on receivables	711	-	-	-
Amounts written off as unrecoverable	(711)	-	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9. WORK IN PROGRESS				
Contract work in progress	47,707	95,345	1,716	2,454
Progress billings and advances received	(44,723)	(87,866)	(2,679)	(1,829)
	<u>2,984</u>	<u>7,479</u>	<u>(963)</u>	<u>625</u>
Recognised and included in the financial statements as amounts due:				
From customers:				
Current (note 8)	10,203	14,911	1,299	687
To customers as deferred income:				
Current (note 18)	(7,219)	(7,432)	(2,262)	(62)
	<u>2,984</u>	<u>7,479</u>	<u>(963)</u>	<u>625</u>

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
10. CURRENT INVENTORIES				
Finished goods – at net realisable value	623	1,456	-	-
11. NON-CURRENT TRADE AND OTHER RECEIVABLES				
Amount owed by wholly-owned subsidiaries – at amortised cost (i)	-	-	65,972	63,189
Less allowance for impairment	-	-	(12,583)	-
			53,389	
Other	-	5,077	-	-
	-	5,077	53,389	63,189
(i) The wholly-owned subsidiaries receivable is due from a creditworthy related parties. The amount is not past due or impaired and no allowance has been provided on the receivable. The outstanding amount is available on call and bears interest at a variable rate.				
12. OTHER NON-CURRENT FINANCIAL ASSETS				
Shares in subsidiaries – at cost	-	-	38,432	38,432

Notes to the financial statements for the financial year ended 30 June 2009

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Office furniture and fittings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – at cost				
Balance at 1 July 2007	1,353	470	10,813	12,636
Additions	662	3	3,519	4,184
Disposals	-	-	(535)	(535)
Net foreign currency	143	(35)	318	426
Balance at 30 June 2008	2,158	438	14,115	16,711
Additions	369	40	1,750	2,159
Disposals	(26)	(218)	(672)	(916)
Net foreign currency	57	2	242	301
Balance at 30 June 2009	2,558	262	15,435	18,255
Accumulated depreciation				
Balance at 1 July 2007	904	390	6,639	7,933
Depreciation expense	685	26	2,286	2,997
Disposal	-	-	(530)	(530)
Net foreign currency	133	(28)	351	456
Balance at 30 June 2008	1,722	388	8,746	10,856
Depreciation expense	599	19	2,666	3,284
Disposal	(26)	(218)	(640)	(884)
Net foreign currency	22	2	84	108
Balance at 30 June 2009	2,317	191	10,856	13,364
Net book value				
As at 30 June 2008	436	50	5,369	5,855
As at 30 June 2009	241	71	4,579	4,891

Notes to the financial statements for the financial year ended 30 June 2009

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Company			
	Office furniture and fittings	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – at cost				
Balance at 1 July 2007	32	215	863	1,110
Additions	-	2	57	59
Disposals	-	-	(499)	(499)
Balance at 30 June 2008	32	217	421	670
Additions	-	33	21	54
Disposals	(27)	(217)	(12)	(256)
Balance at 30 June 2009	5	33	430	468
Accumulated depreciation/ amortisation				
Balance at 1 July 2007	32	195	752	979
Depreciation expense	-	16	84	100
Disposals	-	-	(494)	(494)
Balance at 30 June 2008	32	211	342	585
Depreciation expense	-	11	45	56
Disposals	(27)	(217)	(12)	(256)
Balance at 30 June 2009	5	5	375	385
Net book value				
As at 30 June 2008	-	6	79	85
As at 30 June 2009	-	28	55	83

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
14. GOODWILL				
Gross carrying amount and net book value				
Balance at the beginning of the financial year	46,804	46,210	-	-
Translation effects of foreign currency exchange movements	1,262	594	-	-
Balance at end of financial year	48,066	46,804	-	-
Accumulated impairment losses				
Balance at the beginning of the financial year	-	-	-	-
Impairment losses for the year (i)	(12,501)	-	-	-
Translation effects of foreign currency exchange movements	(82)			
Balance at end of financial year	(12,583)	-	-	-
Net book value				
At the beginning of the financial year	46,804	46,210	-	-
At the end of the financial year	35,483	46,804	-	-

(i) During the financial year, the Group assessed the recoverable amount of goodwill based on the methodology below, and determined that it was impaired by \$12,501 thousand (2008: nil). The recoverable amount was assessed by reference to the cash-generating unit's value in use. A discount factor of 23.01% per annum (2008: 26.14% per annum) was applied in the value in use model. The goodwill impairment necessitated an allowance for impairment losses in the loan to subsidiaries by the Company. Refer to Note 11. 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 at 4% - 7.5%.
- A gross margin of 51% over the forecast period: this is based upon average gross margins achieved in the period immediately before the forecast period.
- In performing the value-in-use calculations, the company has applied post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rate is 23.01% 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 30 June 2009

15. INTANGIBLES

	Consolidated			
	Software & documentation acquired \$'000	Customer relationships acquired \$'000	Software development \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2007	17,594	21,909	-	39,503
Effects of foreign currency exchange movements	415	591	-	1,006
Balance at 30 June 2008	18,009	22,500	-	40,509
Internally developed	-	-	4,035	4,035
Effects of foreign currency exchange movements	510	842	(253)	1,099
Balance at 30 June 2009	18,519	23,342	3,782	45,643
Accumulated Amortisation and impairment				
Balance at 1 July 2007	(5,863)	(5,216)	-	(11,079)
Amortisation expense	(3,642)	(3,241)	-	(6,883)
Effects of foreign currency exchange movements	(2)	(1)	-	(3)
Balance at 30 June 2008	(9,507)	(8,458)	-	(17,965)
Amortisation expense	(4,118)	(3,665)	-	(7,783)
Effects of foreign currency exchange movements	259	229	-	488
Balance at 30 June 2009	(13,366)	(11,894)	-	(25,260)
Net Book Value				
As at 30 June 2008	8,502	14,042	-	22,544
As at 30 June 2009	5,153	11,448	3,782	20,383

Significant intangible assets

The carrying amount of 'Software & documentation acquired' of \$5.153 million (2008: \$8.502 million) will be fully amortised in 2 years (2008: 3 years).

The carrying amount of 'Customer relationships acquired' of \$11.448 million (2008: \$14.042 million) will be fully amortised in 4 years (2008: 5 years).

The carrying amount of 'Software development' of \$3.782 million will be amortised over 3 years from the date the software is ready for use (2008: n/a).

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
16. CURRENT TRADE AND OTHER PAYABLES				
Trade payables (i)	5,587	13,007	138	148
Accruals and other payables	26,376	33,157	604	980
	<u>31,963</u>	<u>46,164</u>	<u>742</u>	<u>1,128</u>

(i) The average credit period on purchases of certain goods is 45 days (2008: 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.

17. PROVISIONS

	Employee leave provisions \$'000	Retirement contribution plans (i) \$'000	Total \$'000
Consolidated			
Balance as at 1 July 2008	5,346	1,331	6,677
Additional provisions recognised	216	-	216
Utilised during the period	-	(794)	(794)
Balance as at 30 June 2009	<u>5,562</u>	<u>537</u>	<u>6,099</u>
Current	5,562	-	5,562
Non-current	-	537	537
	<u>5,562</u>	<u>537</u>	<u>6,099</u>
Company			
Balance as at 1 July 2008	128	-	128
Additional provisions recognised	27	-	27
Balance as at 30 June 2009	<u>155</u>	<u>-</u>	<u>155</u>
Current	<u>155</u>	<u>-</u>	<u>155</u>

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

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
18. OTHER CURRENT LIABILITIES				
Deferred income (Note 9)	7,219	7,432	2,262	62
19. ISSUED CAPITAL				
196,847,706 fully paid ordinary shares (2008: 171,009,598)	123,946	115,325	123,946	115,325

	Consolidated and Company			
	2009		2008	
	No. '000	\$ '000	No. '000	\$ '000
Fully Paid Ordinary Shares				
Balance at the beginning of financial year	171,009	115,325	170,076	115,005
Issue of shares	24,596	8,117	-	-
Issue of shares under the executive and employee share option plan (Note 6)	1,243	343	933	228
Transfer from employee equity-settled benefits reserve	-	161	-	92
Balance at the end of financial year	196,848	123,946	171,009	115,325

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 executive and employee share option plan as at 30 June 2009, employees are entitled to purchase shares in the company. Details of the executive and employee share option plan are contained in note 6 to the financial statements.

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
20. RESERVES				
Foreign currency translation	3,323	596	-	-
Employee equity-settled benefits	1,088	1,042	1,088	1,042
	<u>4,411</u>	<u>1,638</u>	<u>1,088</u>	<u>1,042</u>

Foreign currency translation reserve

Balance at beginning of financial year	596	(1,094)	-	-
Translation of foreign operations (net of deferred tax)	2,727	1,690	-	-
Balance at the end of the financial year	<u>3,323</u>	<u>596</u>	<u>-</u>	<u>-</u>

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	1,042	786	1,042	786
Share based payments	207	348	207	348
Transfer to issued share capital (note 19)	(161)	(92)	(161)	(92)
Balance at the end of the financial year	<u>1,088</u>	<u>1,042</u>	<u>1,088</u>	<u>1,042</u>

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

21. (ACCUMULATED LOSSES)/ RETAINED EARNINGS

Balance at beginning of the financial year	6,536	(447)	2,608	3,931
(Loss)/profit for the year attributable to equity holders of the parent	(34,743)	10,391	(9,041)	2,085
Dividends paid (note 23)	(5,131)	(3,408)	(5,131)	(3,408)
Balance at end of financial year	<u>(33,338)</u>	<u>6,536</u>	<u>(11,564)</u>	<u>2,608</u>

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated	
	2009	2008
	Cents Per Share	Cents Per Share
22. EARNINGS/(LOSS) PER SHARE		
Basic earnings/(loss) per share	(20.1)	6.1
Diluted earnings/(loss) per share	(20.1)	6.0
Basic earnings/(loss) per share		
The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share are as follows:		
	2009	2008
	\$'000	\$'000
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(34,743)	10,391
	2009	2008
	No '000	No '000
Weighted average number of ordinary shares	172,688	170,435
Diluted earnings/(loss) per share		
The earnings/(loss) and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings/(loss) per share are as follows:		
	2009	2008
	\$'000	\$'000
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(34,743)	10,391
	2009	2008
	No '000	No '000
Weighted average number of ordinary shares and potential ordinary shares (a)	172,688	172,535
(a) Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings/(loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	172,688	170,435
Shares deemed to be issued for no consideration in respect of employee options	-	2,100
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings/(loss) per share	172,688	172,535

Notes to the financial statements for the financial year ended 30 June 2009

	Consolidated and Company			
	2009		2008	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
23. DIVIDENDS				
Recognised Amounts				
<i>Final dividend</i>				
Fully Paid Ordinary Shares unfranked	3.0	5,131	2.0	3,408
Unrecognised Amounts				
<i>Final dividend</i>				
Fully Paid Ordinary Shares unfranked	-	-	3.0	5,131

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

On 24 July 2008, the directors declared an unfranked final dividend of 3.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2008, to be paid to shareholders on 15 September 2008. As this dividend was declared subsequent to 30 June 2008 it had not been included as a liability in the 2008 financial statements. The dividend was paid to all shareholders on the Register of Members on 29 August 2008. As at 15 September 2008 there was sufficient retained earnings within the Company to support payment of this dividend.

	Company	
	2009 \$'000	2008 \$'000
Adjusted franking account balance (tax paid basis)	99	99
Impact on franking account of unrecognised dividends	-	-

24. LEASES

Operating Leases

Leasing arrangements

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-cancellable operating leases				
Not longer than 1 year	5,128	2,662	116	70
Longer than 1 year and not longer than 5 years	14,193	12,853	285	-
Longer than 5 years	2,776	2,179	-	-
	<u>22,097</u>	<u>17,694</u>	<u>401</u>	<u>70</u>

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2009

	COUNTRY OF INCORPORATION	Ownership Interest	
		2009 %	2008 %
25. SUBSIDIARIES			
Parent Entity			
eServGlobal Limited	Australia (vii) (viii)	-	-
Subsidiary			
eServGlobal Holdings SAS	France (i)	100	100
eServGlobal SAS	France (i) (iii)(ix)	100	100
PT eServGlobal Indonesia	Indonesia (i) (x)	100	100
eServGlobal (Beijing) Telecommunication Technical Services, Co Ltd	China (i) (x)	100	100
eServGlobal Telecom Romania Srl	Romania (i)(x)	50	50
eServGlobal Telecom Serviços do Brasil Ltda	Brazil (i) (x)	100	-
eServGlobal (NZ) Pty Limited	Australia (ii) (vi) (vii)	100	100
eServGlobal (HK) Limited	Hong Kong (i)	100	100
eServGlobal NVSA	Belgium (i)	100	100
eServGlobal UK Limited	United Kingdom (i)	100	100
eServ UK Limited	United Kingdom (i)	100	100
eServGlobal Singapore Pte. Ltd.	Singapore (i)	100	-
eServGlobal Inc	United States of America (iv)	100	100
eServGlobal Aust Pty Limited (formerly Integrator Pty Limited)	Australia (v) (vi) (vii)	100	100

- (i) These subsidiaries carry on business in their country of incorporation; France, Indonesia, China, Romania, Brazil, Hong Kong, Belgium, United Kingdom 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 which carry on business in Egypt, Poland, India and the United Arab Emirates.
- (iv) This subsidiary did not trade during the current financial year and is relieved from the requirement to prepare, audit and lodge a financial report.
- (v) This subsidiary did not trade in the year ended 30 June 2009.
- (vi) These subsidiaries are classified as small proprietary companies and, in accordance with the Corporations Act 2001, are relieved from the requirement to prepare, audit and lodge a financial report.
- (vii) These companies are members of the Australian tax consolidated group.
- (viii) eServGlobal Limited is the head entity within the tax consolidated group.
- (ix) This company is a subsidiary of eServGlobal Holdings SAS
- (x) These companies are subsidiaries of eServGlobal SAS

Notes to the financial statements for the financial year ended 30 June 2009

26. SEGMENT INFORMATION

Based on the risks and rewards associated with the company's business, organisational structure and system of internal financial reporting to the Board of Directors, management considers that the Group operates in one business segment, the Telecommunications Software Solutions business, and in the following geographical segments.

Revenue in the table below has been calculated based on the geographical location of the group company deriving the revenue.

Segment Revenues	EXTERNAL SALES		INTER-SEGMENT		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Asia Pacific	15,414	10,807	4,301	6,972	19,715	17,779
Europe	131,982	167,203	483	271	132,465	167,474
Total of all geographies	147,396	178,010	4,784	7,243	152,180	185,253
Eliminations					(4,784)	(7,243)
Unallocated					271	196
Consolidated					<u>147,667</u>	<u>178,206</u>

The Group also captures revenue by the geographical segment, based on the location of the ultimate customer:

Segment Revenues	EXTERNAL SALES		INTER-SEGMENT		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Middle East	83,912	109,873	-	-	83,912	109,873
Asia Pacific	27,624	25,885	-	-	27,624	25,885
Europe	22,285	31,078	-	-	22,285	31,078
Africa	5,862	7,433	-	-	5,862	7,433
Central and South America	7,713	3,741	-	-	7,713	3,741
Total of all geographies	147,396	178,010	-	-	147,396	178,010
Eliminations					-	-
Unallocated					271	196
Consolidated					<u>147,667</u>	<u>178,206</u>

The group does not capture costs and assets information based on customer geographies.

Notes to the financial statements for the financial year ended 30 June 2009

27. RELATED PARTY DISCLOSURES

a) Equity Interests in Related Parties

Equity Interests in Controlled Entities

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

b) Key management personnel compensation

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

c) Key management personnel equity holdings

Fully paid ordinary shares issued by eServGlobal Limited

	Balance at 1 July	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.
2009				
I Buddery ⁽ⁱ⁾	15,055,982	-	-	15,055,982
F Barrault	-	500,000	-	500,000
A Eisen ⁽ⁱⁱⁱ⁾	-	-	37,301,296	37,301,296
A Gilbert	90,000	-	-	90,000
M Jefferies ⁽ⁱⁱⁱ⁾	-	-	37,301,296	37,301,296
JP Labat ⁽ⁱⁱ⁾	99,464	-	-	99,464
G Lemoing ⁽ⁱⁱ⁾	99,464	-	-	99,464
J Pratt	500,000	-	-	500,000
J M Hartigan ^(v)	10,000	-	(10,000)	-
2008				
I Buddery ⁽ⁱ⁾	15,055,982	-	-	15,055,982
A Gilbert	90,000	-	-	90,000
J M Hartigan ^(iv)	10,000	-	-	10,000
JP Labat ⁽ⁱⁱ⁾	99,464	-	-	99,464
G Lemoing ⁽ⁱⁱ⁾	99,464	-	-	99,464
J Pratt	-	500,000	-	500,000

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

(ii) Shares held by a company in trust.

(iii) Shares held by Guinness Peat Group of which Anthony Eisen and Michael Jefferies are both Executives.

(iv) Held indirectly.

(v) J M Hartigan resigned on 11 July 2008.

eServGlobal Limited

Notes to the financial statements for the financial year ended 30 June 2009

27. RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings (continued)

Options issued by eServGlobal Limited to Executives

	Balance at 1 July	Granted as compen- sation	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2009									
JP Labat	242,857	-	-	-	242,857	242,857	-	242,857	-
G Lemoing	242,857	-	-	-	242,857	242,857	-	242,857	-
L Lafarge	300,000	-	-	-	300,000	100,000	-	100,000	100,000
J M Hartigan ⁽ⁱ⁾	500,000	-	-	(500,000)	-	-	-	-	-
2008									
J M Hartigan	500,000	-	-	-	500,000	500,000	-	500,000	-
JP Labat	242,857	-	-	-	242,857	242,857	-	242,857	-
G Lemoing	242,857	-	-	-	242,857	242,857	-	242,857	-
L Lafarge	-	300,000	-	-	300,000	-	-	-	-

(i) J M Hartigan resigned on 11 July 2008

All executive share options issued to key management during the financial year were made in accordance with the provisions of the executive share option plan. Each executive share plan option converts into 1 ordinary share of eServGlobal Limited when the option is exercised and the exercise price paid. When options are issued, no amounts are paid or payable by the recipient of the option (Refer Note 6).

d) Non executive directors option holdings

	Balance at 1 July	Granted as compen- sation	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2009									
F Barrault	500,000	-	(500,000)	-	-	-	-	-	-
A Gilbert	500,000	-	-	-	500,000	333,333	-	333,333	166,666
2008									
F Barrault	500,000	-	-	-	500,000	500,000	-	500,000	-
A Gilbert	500,000	-	-	-	500,000	166,667	-	166,667	166,667
J Pratt	500,000	-	(500,000)	-	-	-	-	-	-
D Smart	50,000	-	-	(50,000)	-	-	-	-	-

Notes to the financial statements for the financial year ended 30 June 2009

27. RELATED PARTY DISCLOSURES (continued)

d) Non executive directors option holdings (continued)

All executive share options issued to non executive directors during the financial year were made in accordance with the provisions of the executive share option plan. Each executive share plan option converts into 1 ordinary share of eServGlobal Limited when the option is exercised and the exercise price paid. When options are issued, no amounts are paid or payable by the recipient of the option (Refer Note 6).

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
e) Other transactions with key management personnel				
The profit from operations includes the following items of expenditure that resulted from transactions, other than compensation or equity holdings, with key management personnel or their related entities:				
Graham Libbesson (a non-executive director) is a director of the company Unorfadox Pty Limited which provided services in relation to the group's taxation position, on normal commercial terms.	4,515	27,000	4,515	27,000
Anthony Gilbert (a non-executive director) provided services in relation to professional consulting services, on normal commercial terms	-	59,312	-	59,312
	-	59,312	-	59,312

f) Transactions within the Wholly-Owned Group

The wholly-owned group includes:

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

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

Amounts owed by wholly-owned controlled entities are disclosed in notes 8 and 11 to the financial statements.

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

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

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

g) Parent Entities

The parent entity in the Group is eServGlobal Limited.

Notes to the financial statements for the financial year ended 30 June 2009

28. NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
a) Reconciliation of cash				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	14,135	18,288	11,948	9,626
b) Financing facilities				
Secured bank facilities with a maturity date of 30 September 2009 which may be extended by mutual agreement.				
▪ amount used in guarantee	-	1,318	-	-
▪ amount unused	5,000	3,682	5,000	5,000
	5,000	5,000	5,000	5,000

A bank guarantee allowing the group to participate in a specific customer bid (Bid Bond) was entered into during the previous financial year which remained valid until the expiry date of 25 August 2008. At 30 June 2008 the facility limit had been reduced by \$1.318 million to partake in this tender process. The bank guarantee was released on expiry date and the facility limit returned to \$5 million.

Notes to the financial statements for the financial year ended 30 June 2009

28. NOTES TO THE CASH FLOW STATEMENT (continued)

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
c) Reconciliation of profit for the year to net cash flows from operating activities				
(Loss)/profit for the year	(34,525)	10,540	(9,041)	2,085
Interest received	(271)	(196)	(228)	(170)
Depreciation of non-current assets	3,284	2,997	56	100
Amortisation of non-current assets	7,783	6,883	-	-
Impairment of goodwill	12,501	-	-	-
Impairment of loan to subsidiary	-	-	12,583	-
Loss on disposal of non-current assets	32	5	-	5
Equity settled share-based payments	207	348	207	348
Increase/(decrease) in current income tax balances	(969)	(6,411)	-	-
Increase/(decrease) in deferred tax balances	3,316	(253)	373	2,191
Changes in net assets and liabilities, net of effects from acquisition of businesses:				
- (Increase)/decrease in assets:				
- Current receivables	16,627	(6,792)	(1,500)	(3,563)
- Other current inventories	833	(749)	-	-
- Other assets	5,077	(5,077)	(2,783)	(4,489)
Increase/(decrease) in liabilities:				
- Current trade payables	(15,199)	12,285	(386)	(699)
- Current provisions	216	400	27	3
- Other current liabilities	(213)	(1,330)	2,200	(76)
- Non-current provisions	(793)	(16)	-	-
Net cash from operating activities	(2,094)	12,634	1,508	(4,265)

Notes to the financial statements for the financial year ended 30 June 2009

29. FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

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

b) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. At 30 June 2009 and 30 June 2008 the Group had no borrowings against formalised available facilities disclosed in note 28. Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses, tax liabilities and development activities.

c) Financial Risk Management Objectives

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

d) Market Risk

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

e) Foreign Currency Risk Management

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

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

	Assets		Liabilities	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
US dollars	8,498	8,698	840	476
Euro	188	477	-	42

Notes to the financial statements for the financial year ended 30 June 2009

29. FINANCIAL INSTRUMENTS (continued)

Forward foreign exchange contracts

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

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

Outstanding Contacts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2009	2008	2009 USD'000	2008 USD'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Sell US Dollars								
Less than 3 months	0.7842	0.9440	3,686	4,658	4,699	4,934	162	77
3 to 6 months	0.8303	0.9535	869	2,407	1,047	2,524	(23)	4
7 to 9 months	0.8838	0.9499	79	1,507	90	1,586	(8)	2
10 to 12 months	-	0.9428	-	772	-	819	-	2
			4,634	9,344	5,836	9,863	131	85

Categories of financial instruments	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Assets:				
Cash and cash equivalents	14,135	18,288	11,948	9,626
Loans and receivables				
Receivables	47,973	57,123	3,695	2,658
Deposits	1,090	3,306	8	2
Loans to subsidiaries – current	-	-	7,501	4,931
Loans to subsidiaries – non current	-	-	53,389	63,189
Financial Liabilities:				
At amortised cost				
Trade payables	5,587	13,007	138	148

Notes to the financial statements for the financial year ended 30 June 2009

29. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

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

	USD Impact			
	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Profit or loss	810	860	436	315

	Euro Impact			
	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Profit or loss	2	48	2	48

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 outline 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 sheet date. The income and expenses of these entities is translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The Group's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the Euro.

f) Interest Rate Risk Management

The Company's and Group's exposure to interest rate risk at 30 June 2009 is limited to the interest generated on deposits balances invested during the course of the year which attract a variable interest rate and yielded a 2.9% (2008: 6.3%) weighted average interest rate for the financial year.

Interest rate sensitivity analysis

The Group's sensitivity to interest rates is restricted only to surplus cash placed on short-term deposit or short-term drawings on facilities utilised to manage operational cash requirements across the entities within the group. The Company's sensitivity to interest rate is restricted to surplus cash placed and loans from wholly-owned controlled entities which are available on call.

Notes to the financial statements for the financial year ended 30 June 2009

29. FINANCIAL INSTRUMENTS (continued)

g) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company or 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 Company's and 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 Company's and Group's short, medium and long-term funding and liquidity management requirements. The Company and 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 company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000
Consolidated					
2009					
Trade payables - Non-interest bearing	-	1,500	4,087	-	-
2008					
Trade payables - Non-interest bearing	-	3,975	8,974	58	-
Company					
2009					
Trade payables - Non-interest bearing	-	138	-	-	-
2008					
Trade payables - Non-interest bearing	-	148	-	-	-

Notes to the financial statements for the financial year ended 30 June 2009

29. FINANCIAL INSTRUMENTS (continued)

The following tables detail the company's and 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 company/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						
2009						
Cash and cash equivalents	2.42	14,135	-	-	-	-
Deposits - Non-interest bearing	-	-	-	1,090	-	-
Trade receivables - Non-interest bearing	-	11,483	23,930	12,560	-	-
		<u>26,708</u>	<u>23,930</u>	<u>12,560</u>	-	-
2008						
Cash and cash equivalents	3.73	18,288	-	-	-	-
Deposits- Non-interest bearing	-	-	-	3,306	-	-
Trade receivables - Non-interest bearing	-	23,465	22,386	11,272	-	-
		<u>41,753</u>	<u>22,386</u>	<u>14,578</u>	-	-
Company						
2009						
Cash and cash equivalents	2.90	11,948	-	-	-	-
Deposits- Non-interest bearing	-	8	-	-	-	-
Trade receivables - Non-interest bearing	-	592	2,724	379	-	-
Intercompany loan - Variable interest rate instruments	4.80	-	-	7,501	11,116	42,273
		<u>12,548</u>	<u>2,724</u>	<u>7,860</u>	<u>11,116</u>	<u>42,273</u>
2008						
Cash and cash equivalents	6.91	9,626	-	-	-	-
Deposits- Non-interest bearing	-	2	-	-	-	-
Trade receivables - Non-interest bearing	-	1,258	1,400	-	-	-
Intercompany loan - Variable interest rate instruments	6.73	-	-	4,931	29,528	33,661
		<u>10,886</u>	<u>1,400</u>	<u>4,931</u>	<u>29,528</u>	<u>33,661</u>

Notes to the financial statements for the financial year ended 30 June 2009

29. FINANCIAL INSTRUMENTS (continued)

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.

30. SUBSEQUENT EVENTS

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

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

Level 3,
6 O'Connell Street
Sydney NSW 2000
Australia
Tel: +61 2 93642700

eServGlobal Limited

Additional Securities Exchange Information as at 18 August 2009

Ordinary share capital

196,847,706 fully paid ordinary shares are held by 1,315 individual shareholders on the Australian Securities Exchange and 94 individual depository interest holders on the London Stock Exchange (AIM).

All issued ordinary shares carry one vote per share.

Options

61 individual option holders hold 3,258,805 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	99	10	-
1,001-5,000	503	14	-
5,001-10,000	243	9	18
10,001-100,000	398	32	36
100,001-Over	72	29	7
Total	1,315	94	61
Holding less than a marketable parcel	100		

Substantial shareholders

	Number	Percentage
Guinness Peat Group plc and its subsidiaries	37,301,296	18.97%
Gartmore Investment Limited	19,885,760	10.10%
MHB Holdings Pty Ltd	17,322,713	8.80%
Wallaby Hill Pty Ltd	15,055,982	7.65%
UBS Nominees Pty Ltd and its related bodies corporate	14,034,828	7.13%

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

Ordinary Shareholders	Number	% of capital	Depository Interest Holders	Number	% of capital
GPG NOMINEES PTY LIMITED	28,131,946	14.29%	VIDACOS NOMINEES LIMITED	14,034,828	7.13%
MHB HOLDINGS PTY LTD	17,322,713	8.80%	NORTRUST NOMINEES LIMITED	7,048,243	3.58%
WALLABY HILL PTY LTD	15,055,982	7.65%	CHASE (GA GROUP) NOMINEES LIMITED	3,995,965	2.03%
NATIONAL NOMINEES LIMITED	8,963,319	4.55%	NORTRUST NOMINEES LIMITED	3,480,907	1.77%
LINK 405 PTY LTD	8,006,536	4.07%	CHASE NOMINEES LIMITED	2,529,092	1.28%
JOHN CRAIG HALLIDAY	7,272,727	3.69%	VIDACOS NOMINEES LIMITED	1,811,265	0.92%
GPG NOMINEES PTY LTD	7,169,350	3.64%	NORTRUST NOMINEES LIMITED	1,048,407	0.53%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	6,640,627	3.37%	BNY MELLON NOMINEES LIMITED	974,969	0.50%
ANDY TAYLOR	5,794,535	2.94%	PERSHING NOMINEES LIMITED	927,500	0.47%
BT PORTFOLIO SERVICES LIMITED	2,450,000	1.24%	BNY GIL CLIENT ACCOUNT (NOMINEES) LIMITED	878,756	0.45%
GPG NOMINEES PTY LTD	2,000,000	1.02%	EUROCLEAR NOMINEES LIMITED	693,000	0.35%
JAMES CONE	1,946,008	0.99%	BARNARD NOMINEES LTD	675,000	0.34%
MR IAN FRASER MCMANAMEY	1,818,654	0.92%	CREDIT AGRICOLE CHEUVREUX INTERNATIONAL LIMITED	495,000	0.25%
ADRIAN SEAL	1,764,862	0.90%	TD WATERHOUSE NOMINEES (EUROPE) LIMITED	465,585	0.24%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,739,172	0.88%	HAREWOOD NOMINEES LIMITED	445,901	0.23%
PATRICK MCGRORY	1,730,426	0.88%	BNY NORWICH UNION NOMINEES LIMITED	367,770	0.19%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,715,229	0.87%	BNY GIL CLIENT ACCOUNT (NOMINEES) LIMITED	331,287	0.17%
ANZ NOMINEES LIMITED	1,517,253	0.77%	W B NOMINEES LIMITED	290,500	0.15%
MR RAYMOND JOHN MURPHY	977,546	0.50%	BARNARD NOMINEES LTD	275,000	0.14%
FORBAR CUSTODIANS LIMITED	908,000	0.46%	E*TRADE UK NOMINEES LIMITED	222,360	0.11%

Additional Securities Exchange Information as at 18 August 2009

Secretary

Ian Buddery

Chief Financial Officer

Jonathan Macleod (B Com, CA (Aust) CA (NZ), GAICD)

Registered Office

Level 3,
6 O'Connell Street
Sydney NSW 2000
Australia
Tel: +61.2.93642700

Principal administration office

Level 3,
6 O'Connell Street
Sydney NSW 2000
Australia
Tel: +61.2.93642700

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 Depositary Interests under the ticker "ESG".

Annual General Meeting

The annual general meeting will be held Press Room 1 at the Radisson Plaza Hotel, 27 O'Connell Street Sydney on Thursday 1 October, 2009 at 3pm. The business of the meeting will include the normal business for an annual general meeting and will be set out in a formal Notice of Meeting.