

SAFEWORLD AUSTRALIA LTD
A.C.N. 107 353 695

FINANCIAL STATEMENTS

FOR THE 11 MONTHS ENDED 30 JUNE 2007

**SAFeworld AUSTRALIA LTD
A.C.N. 107 353 695**

DIRECTORS' REPORT

Your directors present the following report for the period ended 30 June 2007.

Directors

The names of each person who has held office during the year and since the end of the financial period are:

Ray Soper

Mr Soper is a widely experienced business professional and company director. He has 20 years' experience as an executive director, non-executive director and chairman with a number of public companies in both Australia and North America. He is also active on a number of audit committees. He has a BSc (Mineral Technology) from Otago University, in New Zealand, and an MBA from the University of New South Wales. He is a member of the Australasian Institute of Mining and Metallurgy.

Russell Krause

Mr Krause is a consultant stockbroker advising on initial public offerings, capital raising, acquisitions and divestments, and restructuring. During his career Mr. Krause has held senior positions with the stockbroking firms of Ord Minnett, ANZ Macaughan, Bankers Trust Australia, and HP JDV Ltd. His stockbroking experience includes directorships and board positions, participation in and chairmanship of underwriting and risk committees, acting as divisional head of private client business, and senior investment banking positions with responsibility for institutional banking, corporate finance and research. He also has international experience overseeing the establishment and development of margin lending businesses.

David Glavonjic

Mr Glavonjic's executive experience in the IT and communications sectors spans a period of more than twenty-five years - the majority of them as chief executive or in positions of equivalent responsibility. He has a track record of demonstrable achievement as a professional manager in creating shareholder value, in bringing new technologies to market, and in the conception, creation and management of profitable commercial businesses. He initially qualified as an accountant before embarking on a professional management career during which he has held a variety of management positions within the IT and communications sector. His early professional experience was gained with the CSIRO (Commonwealth Scientific and Industrial Research Organisation) where his interest in both innovation and technology was first stimulated. At Connect Internet Solutions (a subsidiary of AAPT) he held the positions of chief executive and managing director, both before and after the acquisition of AAPT by Telecom New Zealand, and was responsible for its successful integration within the Telecom New Zealand Group. In this role he further developed his specific expertise in e-business. His executive experience includes not only technology commercialisation and business operations but formulation of strategy and negotiation of business partnerships and alliances. He is a member of the Australian Institute of Company Directors.

Jeremy Martineau

Mr Martineau has a background in law and, though no longer practicing, remains on the register in both the UK and Australia. Throughout his career he has specialized in company transactional work where he has experience in both project-management and advisory capacities. In Australia he has been involved in legal practice with McCullough Robertson in Brisbane and has also worked in the corporate finance & investment banking practice of PricewaterhouseCoopers where he was involved in initiating, structuring and managing a number of transactions (equity investments and company sales) to successful completion. He holds a diploma in entrepreneurship studies and is a member of the Australian Institute of Company Directors.

Review of Operations and Results of Operations

The net loss after tax of the consolidated entity for the period ended 30 June 2007 was \$766,453 (2006: \$1,616,367).

The period under review is eleven (rather than twelve) months because the company changed its balance date from 31 July to 30 June with the consent of the ASIC in accordance with the Corporations Act.

SAFEWORLD AUSTRALIA LTD
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DIRECTORS' REPORT Cont'd

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the period.

Principal Activities

The principal activity of the consolidated entity during the period has been the funding of the development contribution payable under the master distribution agreement with IBS-(BVI) Ltd relating to the Safe Worlds technology. This funding obligation was fully satisfied during the period.

Significant After Balance Date Events

There are no significant matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years except the following:

- Issue of shares at \$0.20 each and options at \$0.05 each to raise \$50,000 and \$790,350 respectively;
- Payment to IBS-(BVI) Ltd of the balance of the development contribution payable under the master distribution agreement with IBS-(BVI) Ltd relating to the Safe Worlds technology to secure the rights under that agreement; and
- The offer for the whole of issued share capital of Spheritec Ltd referred to in note 19.

Likely Future Developments and Expected Results

The information required by section 299(1) (e) of the Corporation Act 2001 has been omitted from the report because the directors believe that it would result in unreasonable prejudice to the consolidated entity.

Performance in Relation to Environmental Regulation

There has been no matter either during or since the end of the financial period which in the opinion of the directors would give rise to any conflict with the provisions of existing environmental regulation.

Dividends

No dividends were paid or provided for during the financial year.

Directors' Meetings

<i>Name</i>	<i>Eligible to attend</i>	<i>Attended</i>
RJ Soper	6	5
RH Krause	6	5
DS Glavonjic	1	1
JJ Martineau	6	6

Directors' Interests

<i>Name</i>	<i>Ordinary Shares</i>
RJ Soper	853,333
RH Krause	1,520,000
DS Glavonjic	4,245,691
JJ Martineau	3,075,000
	9,694,024

The shareholding interests shown above include not only shares held by each director personally but also other shares held by their respective related entities within the meaning of section 9 of the Corporations Act.

SAFEWORLD AUSTRALIA LTD
A.C.N. 107 353 695

DIRECTORS' REPORT *Cont'd*

Options

As at 30 June 2007 the following options were on issue:

<i>Number of options</i>	<i>Vesting Date</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Terms and Conditions</i>
150,000	1/10/05	\$0.20	30/09/08	Subject to the consultancy agreement with D&K Ventures Pty Ltd still being current on the 30th September immediately preceding
150,000	1/10/06	\$0.20	30/09/08	
200,000	1/10/07	\$0.20	30/09/08	
15,807,000	immediate	\$0.15	30/06/10	

Indemnification

The company has not, during the financial period, in respect of any person who is or has been an officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Proceedings on Behalf of the Company

No proceedings have been entered into on behalf of the company.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 forms part of this directors' report and is attached to this report.

Signed in accordance with a resolution of the Board of Directors:



Director

Dated this 31st day of October 2007.

SAFeworld AUSTRALIA LTD
A.C.N. 107 353 695

AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors of SafeWorld Australia Ltd

As lead engagement partner for the audit of SafeWorld Australia Ltd for the period ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

Chartered Accountants



Albert Loots
Partner

Dated this *31* day of *October*, 2007

**SAFEWORLD AUSTRALIA LTD
A.C.N. 107 353 695
DIRECTORS' DECLARATION**

FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007

In the opinion of the directors of the company:

- (a) the accompanying financial statements and notes are in accordance with Corporations Act 2001, comply with Accounting Standards and give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;
- (b) at the date of this declaration, there are reasonable grounds to believe that the company can meet its debts as and when they become due and payable.

Signed in accordance with the resolution of the board of directors

A handwritten signature in black ink, appearing to be 'R. Byrne', written in a cursive style.

Director

Dated this 31st day of October 2007

SAFeworld AUSTRALIA LTD
A.C.N. 107 353 695

INCOME STATEMENTS

FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	3	3,968	7,275	3,968	7,100
Expenses	4	(770,421)	(1,623,643)	(899,424)	(3,773)
Finance costs		-	-	-	-
Profit/(loss) before income tax expense		(766,453)	(1,616,368)	(895,456)	3,327
Income tax benefit/(expense)	5	-	-	-	-
Net profit/(loss)		(766,453)	(1,616,368)	(895,456)	3,327

The above Income Statements should be read in conjunction with the attached notes

SAFEWORLD AUSTRALIA LTD
A.C.N. 107 353 695

BALANCE SHEETS

AS AT 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents		242,112	87,607	236,037	30,505
Trade and other receivables	6	5,979	17,538	1,495,000	1,280,000
Total Current Assets		248,091	105,145	1,731,037	1,310,505
Non-Current Assets					
Property, plant and equipment	7	10,123	20,132	-	-
Intangible assets	9	2,338,637	2,338,637	-	-
Other financial assets	8	-	-	2,500,000	2,500,000
Total Non-Current Assets		2,348,760	2,358,769	2,500,000	2,500,000
Total Assets		2,596,851	2,463,914	4,231,037	3,810,505
Current Liabilities					
Trade and other payables	10	17,155	483,753	-	50,000
Total Current Liabilities		17,155	483,753	-	50,000
Total Liabilities		17,155	483,753	-	50,000
NET ASSETS		2,579,696	1,980,161	4,231,037	3,760,505
Equity					
Share capital	11	7,670,407	6,304,419	7,670,407	6,304,419
Accumulated losses		(5,090,711)	(4,324,258)	(3,439,370)	(2,543,914)
TOTAL EQUITY		2,579,696	1,980,161	4,231,037	3,760,505

The above Balance Sheets should be read in conjunction with the attached notes

SAFEWORLD AUSTRALIA LTD
A.C.N. 107 353 695
STATEMENTS OF CHANGES IN EQUITY

AS AT 30 JUNE 2007

Consolidated

2007	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the period	6,304,419	(4,324,258)	1,980,161
Shares issued during the period	799,138	-	799,138
Options issued during the period	566,850	-	566,850
Profit (loss) for period	-	(766,453)	(766,453)
Total equity at the end of the period	<u>7,670,407</u>	<u>(5,090,711)</u>	<u>2,579,696</u>

2006	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the year	4,072,419	(2,707,890)	1,364,529
Shares issued during the period	2,232,000	-	2,232,000
Profit (loss) for period	-	(1,616,368)	(1,616,368)
Total equity at the end of the year	<u>6,304,419</u>	<u>(4,324,258)</u>	<u>1,980,161</u>

Parent

2007	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the period	6,304,419	(2,543,914)	3,760,505
Shares issued during the period	799,138	-	799,138
Options issued during the period	566,850	-	566,850
Profit (loss) for period	-	(895,456)	(895,456)
Total equity at the end of the period	<u>7,670,407</u>	<u>(3,439,370)</u>	<u>4,231,037</u>

2006	Share Capital	Retained Earnings	Total
	\$	\$	\$
Total at the beginning of the year	4,072,419	(2,547,241)	1,525,178
Shares issued during the period	2,232,000	-	2,232,000
Profit (loss) for period	-	3,327	3,327
Total equity at the end of the year	<u>6,304,419</u>	<u>(2,543,914)</u>	<u>3,760,505</u>

The above Statements of Changes in Equity should be read in conjunction with the attached notes

SAFEWORLD AUSTRALIA LTD
A.C.N. 107 353 695
STATEMENTS OF CASH FLOWS

FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash Flows From Operating Activities					
Payments to suppliers and employees		(448,560)	(923,027)	(899,449)	(1,250,286)
Payments towards development contribution		-	(1,700,000)	-	-
Interest received		3,788	7,275	3,968	3,638
GST Recovered/ (Paid)		32,427	93,293	-	-
Net cash provided by operating activities	18(ii)	<u>(412,345)</u>	<u>(2,522,459)</u>	<u>(895,481)</u>	<u>(1,246,648)</u>
Cash Flows From Investing Activities					
Payments for plant and equipment		-	(5,245)	-	-
Net cash provided by/(used in) investing activities		<u>-</u>	<u>(5,245)</u>	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities					
Proceeds from share issue		566,850	2,231,975	1,316,013	2,231,975
Proceeds from application monies		-	50,000	-	50,000
Share issue expenses		-	-	-	-
Loans to subsidiaries		-	-	(215,000)	(1,280,000)
Net cash provided by/(used in) financing activities		<u>566,850</u>	<u>2,281,975</u>	<u>1,101,013</u>	<u>1,001,975</u>
Net increase/(decrease) in cash held		154,505	(245,729)	205,532	(244,673)
Cash at the beginning of the financial year		87,607	333,336	30,505	275,178
CASH AT THE END OF THE FINANCIAL YEAR	18(i)	<u>242,112</u>	<u>87,607</u>	<u>236,037</u>	<u>30,505</u>

The above Statements of Cash Flows should be read in conjunction with the attached notes

SAFEWORLD AUSTRALIA LTD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007

1. INTRODUCTION

SafeWorld Australia Ltd is a public company limited by shares and is incorporated in Australia. The financial statements of SafeWorld Australia Ltd are for the period of eleven months from 1 August 2006 to 30 June 2007

Operations and Principal Activities

The principal activity of the consolidated entity during the year has been the funding of the development contribution payable under the master distribution agreement with IBS-(BVI) Ltd relating to the Safe Worlds technology. This funding obligation was fully satisfied during the period.

Currency

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

Registered Office

The registered office of SafeWorld Australia Ltd is situated at suite 22, 36 Agnes Street, Fortitude Valley, Queensland, 4006.

Authorisation of Financial Report

The financial report was authorised for issue on 31 October 2007.

Ultimate Parent Entity

The ultimate parent entity is SafeWorld Australia Ltd.

2. SUMMARY OF ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

(a) Revenue Recognition

Interest Income

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

(b) Receivables

Trade accounts receivable and other receivables represent the principal amounts due at balance date less any provision for doubtful accounts.

(c) Property, Plant and Equipment

All property, plant and equipment are stated at cost.

Plant and equipment are stated in the financial statements at cost. All plant and equipment are depreciated over their estimated useful lives using the straight line method starting from the time the assets are held ready for use. The average depreciation rates per class of asset are as follows:

Plant and equipment	10-20%
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SAFEWORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

(d) Income Tax

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

At the date of this report the directors have not assessed the financial effect, if any, the legislation may have on the company and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the company has not been recognised in the financial statements.

(e) Leases

Operating lease expense is recognised as an expense on a straight line basis over the lease term.

(f) Impairment

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

SAFEWORLD AUSTRALIA LTD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007

(g) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets not measured at fair value comprise loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectibility.

(h) Payables

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(i) Intangibles

Costs associated with the initial acquisition of the Safe Worlds technology distribution rights for Australia and New Zealand are capitalised as intangible assets. The directors review the carrying value of intangibles to ensure the carrying value does not exceed their recoverable amount and, when an impairment in value has arisen, the intangible asset is written down.

(j) Principles of Consolidation

Subsidiaries are entities controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control starts until the date that control ceases.

(k) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2007 but have not been applied in preparing these financial statements:

AASB 101 'Presentation of Financial Statements (October 2006)' has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB7 'Financial Instruments: Disclosures' and AASB 2005-10 'Amendments to Australian Accounting Standards [AASB132, AASB114, AASB117, AASB133, AASB139, AASB1, AASB4, AASB1023 & AASB1038]'. AASB7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements but will impact the type of information disclosed in relation to the Company's financial instruments.

AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED151 and other amendments.' AASB 2007-4 is applicable to reporting periods beginning on or after 1 July 2007. The Company has not early adopted the amending standard and has no plans to adopt accounting policy options with effect from 1 July 2007. Application of the amending standard will not affect any of the amounts recognised in the financial statements and is expected to impact only disclosures contained within the financial report.

SAFEWORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
3. REVENUE				
Non-Operating Revenue:				
Interest	3,968	7,275	3,968	7,100
Total Revenue	3,968	7,275	3,968	7,100

4. EXPENSES				
Classification of expenses by nature:				
Marketing and prospectus costs	-	(2,026)	-	-
Write-down inter-company loan receivable	-	-	150,000	-
Depreciation	10,009	9,154	-	-
Renegotiation of existing commercial agreement	749,138	-	-	-
Consultancy fees	-	222,912	-	-
Employee costs	-	400,092	-	100,000
Payments towards development contribution	-	900,000	-	-
Administration costs	11,274	69,101	-	(96,227)
Operating lease - premises	-	24,410	-	-
Other Expenses	-	-	749,424	-
Total Expenses	770,421	1,623,642	899,424	3,773

5. INCOME TAX				
Explanation of the relationship between tax expense and accounting profit:				
Prima facie tax expense/(benefit) on profit before tax (calculated at 30%)	(229,936)	(484,910)	(268,637)	998
Non-deductible expenses	-	220	45,000	-
Other	-	-	-	(998)
Deferred tax assets not brought to account	229,936	484,690	223,637	-
Income tax expense/(benefit)	-	-	-	-

Deferred tax assets have not been brought to account because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable. The total deferred tax asset not brought to account is \$711,626 (2006: \$484,690).

6. TRADE AND OTHER RECEIVABLES				
Non-trade receivables	5,979	17,538	-	-
Receivable from controlled entities	-	-	1,495,000	1,280,000
	5,979	17,538	1,495,000	1,280,000

SAFORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
7. PROPERTY, PLANT AND EQUIPMENT				
Plant & equipment at cost	33,462	33,462	-	-
Accumulated depreciation	(23,339)	(13,330)	-	-
	10,123	20,132	-	-
Movements in plant and equipment				
Balance at the beginning of the year	20,132	24,041	-	-
Additions	-	5,245	-	-
Depreciation expense	(10,009)	(9,154)	-	-
Balance at the end of year	10,123	20,132	-	-
8. OTHER FINANCIAL ASSETS				
Investments in controlled entities at cost	-	-	2,500,000	2,500,000
9. INTANGIBLES				
Master distribution rights at cost	2,338,637	2,338,637	-	-
<p>Master distribution rights at cost represent distribution rights for the Safe Worlds technology in Australia & New Zealand under the master distribution agreement entered into with IBS-(BVI) Ltd on 14 September 2005. The carrying value of the relevant rights in the statement of financial performance has been determined by the acquisition transaction under which SafeWorld Australia Ltd acquired the whole of the issued share capital of SafeWorld Australia & New Zealand Pty Ltd on 31 July 2004.</p> <p>Further sums (not included in the amount shown) have been paid to IBS-(BVI) Ltd for the development of the Safe Worlds technology since 31 July 2004. This has been the case both during the period under review (the period ended 30 June 2007) as well as during the prior year. All such sums have been fully expensed without being capitalised in the statement of financial position. The directors have chosen to take a prudent view and not reflect these further sums in the statement of financial position (therefore leaving the original cost figure without any increase) on the basis that development is still continuing. The recoverable amount is dependent upon the successful commercialisation of the Safe Worlds technology and is therefore subject to material uncertainty.</p>				
10. TRADE AND OTHER PAYABLES				
Trade accounts payable and accruals	17,155	433,753	-	-
Share application monies	-	50,000	-	50,000
	17,155	483,753	-	50,000

Included above are amounts payable by the consolidated entity to director related entities totalling \$6,554 (2006: \$-)

SAFEWORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
11. SHARE CAPITAL				
Ordinary Shares				
Issued and paid up capital	7,103,557	6,304,419	7,103,557	6,304,419
Options issued	566,850	-	566,850	-
	7,670,407	6,304,419	7,670,407	6,304,419
Movement in parent entity shares on issue				
	2007		2006	
	No. of Shares	\$	No. of Shares	\$
Beginning of the financial period	33,461,222	6,304,419	22,301,222	4,072,419
11,160,000 shares issued at \$0.20 a share	-	-	11,160,000	2,232,000
250,000 shares issued at \$0.20 a share	250,000	50,000	-	-
3,745,691 shares issued in renegotiation of existing commercial agreement	3,745,691	749,138	-	-
Less share issue costs	-	-	-	-
End of financial period	37,456,913	7,103,557	33,461,222	6,304,419

Ordinary shares have equal rights to vote, participate in dividends and share in the distribution of surplus assets in the event of the entity winding-up.

Options over parent entity ordinary shares

As at 30 June 2007 the following options were on issue:

Number of options	Vesting Date	Exercise Price	Expiry Date	Terms and Conditions
150,000	1/10/05	\$0.20	30/09/08	Subject to the consultancy agreement with D&K Ventures Pty Ltd still being current on the 30th September immediately preceding
150,000	1/10/06	\$0.20	30/09/08	
200,000	1/10/07	\$0.20	30/09/08	
15,807,000	immediate	\$0.15	30/06/10	

12. AUDITORS' REMUNERATION

Audit of financial reports	6,000	3,500	-	-
Other services; preparation of financial reports	2,000	1,500	-	-
	8,000	5,000	-	-

13. KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Short-term employee benefits	110,000	240,000	-	-
Long-term employee benefits	-	-	-	-
Post-employment benefits	-	-	-	-
	110,000	240,000	-	-

14. SEGMENT REPORTING

The consolidated entity operates in one business segment being software development, and predominantly in one geographical segment, being Australia.

SAFEWORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

15. RELATED PARTY TRANSACTIONS

Names of directors holding office at any time during the year were:

2007	2006
RJ Soper	RJ Soper
RH Krause	RH Krause
DS Glavonjic (appointed on 22 March 2007)	A Metcalfe (resigned on 10 August 2005)
JJ Martineau	G Buchanan (resigned on 4 August 2005)
	JJ Martineau (appointed on 24 March 2006)

i) Directors' Remuneration

Payments made to directors or entities associated with directors are included in sums shown in note 13 and comprise consulting fees as disclosed below. No fees were paid during the year to directors or entities associated with the directors for their services as directors.

ii) Wholly-Owned Controlled Group

All transactions between companies in the wholly owned controlled group have been eliminated in the financial statements of the consolidated entity.

iii) Director Related Entities

The consolidated entity was invoiced by Ipseity Pty Ltd, a company associated with RJ Soper, for consulting fees totalling \$368 in respect of the period (2006: \$37,500).

The consolidated entity was invoiced by RH Krause for consulting fees totalling \$nil in respect of the period (2006: \$146,000).

The consolidated entity was invoiced by Calthorpe Corporate Consulting Pty Ltd, a company associated with JJ Martineau, for consulting fees totalling \$54,863 in respect of the period (2006: \$66,000).

During the period the company issued 3,745,691 shares to Glavonjic Investments Pty Ltd, a company associated with D Glavonjic, as part of an agreed renegotiation of an existing commercial agreement.

(iv) Aggregate shares and options held by directors or their related entities	2007	2006
Ordinary shares	9,694,024	9,527,333
Options	5,020,000	-
(v) Aggregate options acquired by directors or their related entities		
Ordinary shares	-	-
Options	-	-
(vi) Aggregate shares issued to directors or their related entities		
Ordinary Shares	3,995,691	-
Options	5,020,000	-

Included in the above figures are all shares and all options held at the end of the year by persons (including their related entities) serving as directors at any time during the year.

16. CONTROLLED ENTITIES

<u>Controlled Entities</u>	<u>Country of Incorporation</u>	<u>Percentage of Shares held</u>	
		<u>2007</u>	<u>2006</u>
Safeworld Australia & New Zealand Pty Ltd	Australia	100%	100%

SAFEWORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

17. FINANCIAL INSTRUMENTS

The consolidated entity manages its exposure to interest rate fluctuations through appropriate board oversight. The consolidated entity does not engage in any significant transactions which are speculative in nature.

Exposures of the consolidated entity to interest rate risk on financial assets and liabilities are summarised as follows:

2007	Non-interest bearing \$	Fixed Interest Rate Maturing		Floating interest rate \$	Total \$	Weighted average effective interest rate
		1 year or less \$	1 to 5 Years \$			
Financial Assets:						
Cash	-	-	-	242,112	242,112	1.20%
Receivables	5,979	-	-	-	5,979	-
	<u>5,979</u>	<u>-</u>	<u>-</u>	<u>242,112</u>	<u>248,091</u>	
Financial Liabilities:						
Payables	17,155	-	-	-	17,155	-
	<u>17,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,155</u>	
Net financial assets/(liabilities)	<u>(11,176)</u>	<u>-</u>	<u>-</u>	<u>242,112</u>	<u>230,936</u>	

2006	Non-interest bearing \$	Fixed Interest Rate Maturing		Floating interest rate \$	Total \$	Weighted average effective interest rate
		1 year or less \$	1 to 5 Years \$			
Financial Assets:						
Cash	-	-	-	87,607	87,607	1.20%
Receivables	17,538	-	-	-	17,538	-
	<u>17,538</u>	<u>-</u>	<u>-</u>	<u>87,607</u>	<u>105,145</u>	
Financial Liabilities:						
Payables	483,753	-	-	-	483,753	-%
	<u>483,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,753</u>	
Net financial assets/(liabilities)	<u>(466,215)</u>	<u>-</u>	<u>-</u>	<u>87,607</u>	<u>(378,608)</u>	

Credit Risk Exposure

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets indicated in the balance sheet. The consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties.

SAFEWORLD AUSTRALIA LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD OF ELEVEN MONTHS ENDED 30 JUNE 2007**

18. NOTES TO STATEMENTS OF CASH FLOWS

(i) For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash	242,112	87,607	236,037	30,505

(ii) Reconciliation of Net Cash Provided by Operating Activities to Profit After Income Tax

Profit/(loss) after income tax	(766,453)	(1,616,368)	(895,456)	3,327
Depreciation and amortisation	10,009	9,154	-	-
Impairment of intercompany loan	-	-	-	-
Changes in assets and liabilities				
Trade accounts receivable	(3,016)	-	-	-
Trade accounts payable and other liabilities	332,541	(912,217)	-	(1,249,975)
GST Clearing	14,574	(3,028)	-	-
	(412,345)	(2,522,459)	(895,456)	(1,246,648)

19. EVENTS SUBSEQUENT TO BALANCE DATE

There are no significant matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years except for the following:

- Issue of shares at \$0.20 each and options at \$0.05 each to raise \$50,000 and \$790,350 respectively; and
- Recommended offer by the company (now in the process of changing its name to e-Business Systems Ltd) to shareholders in Spheritec Ltd in the terms of the bidder's statement dated 28 September 2007 sent to shareholders in Spheritec Ltd in relation to which the current position is summarised as follows:
 - at the date of this report this offer has been declared unconditional following receipt by the company of approval from its own shareholders and from shareholders in Spheritec Ltd of acceptances for 90% or
 - it is therefore expected that the company will shortly become registered as the holder of those shares
 - Spheritec Ltd can be expected then to become a wholly owned subsidiary of the company.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT

TO MEMBERS OF SAFEWORLD AUSTRALIA LIMITED

We have audited the accompanying financial report of SafeWorld Australia Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both SafeWorld Australia Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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 controls 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.

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.

Independence

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

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Qualifications

Included in Intangible Assets (Note 9) is distribution rights for the Safe Worlds technology in Australia & New Zealand with a carrying value of \$2,338,637 acquired resulting from the acquisition of 100% of the issued capital of SafeWorld Australia & New Zealand Pty Ltd on 31 July 2004. The terms of the acquisition, and therefore the SafeWorld distribution rights for the Safe Worlds technology in Australia & New Zealand held by SafeWorld Australia & New Zealand Pty Ltd, reflect the value placed upon them as assessed by the directors. Their assessment was made in light of an independent technical assessment carried out by Mr David Tuffley of Tuffley Consulting Services.

Included in the parent entity in Trade and Other Receivables (Note 6) is amounts loaned to the controlled entity, SafeWorld Australia and New Zealand Pty Ltd, totalling \$1,495,000. The recoverability of this amount is dependent on the ability of SafeWorld Australia and New Zealand Pty Ltd generating sufficient funds from the distribution rights for the Safe Worlds technology in Australia & New Zealand.

Included in the parent entity in Other Financial Assets (Note 8) is amounts invested in the controlled entity, SafeWorld Australia and New Zealand Pty Ltd, totalling \$2,500,000. The recoverability of this amount is dependent on the ability of SafeWorld Australia and New Zealand Pty Ltd generating sufficient funds from the distribution rights for the Safe Worlds technology in Australia & New Zealand.

Australian Accounting Standard AASB 136 'Impairment of Assets' requires an asset to be written down to its recoverable amount when its carrying value is greater than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence of the recoverable amount of the loan and intangible assets set out above and, accordingly, we have been unable to determine whether the recoverable amounts of the loan and intangible asset are at least equal to their carrying values.

Qualified Auditor's Opinion

In our opinion, except for the effect, if any of the matters referred to in the qualifications paragraph, the financial report of SafeWorld Australia 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 2007 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.

PKFPKF
Chartered Accountants**Albert Loots**
Partner

Dated at Brisbane this 31st day of October 2007