

**SPHERITEC LTD
ACN115 851 477**

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

**SPHERITEC LTD
ACN 115 851 477**

DIRECTORS' REPORT

The directors submit the following report for the year ended 30 June 2007 made in accordance with a resolution of the board.

Directors

The names of the directors of Spheritec Ltd in office at the date of this report are:

David Glavonjic
Paul Wyatt
Jeremy Martineau

Company Secretary

Jeremy Martineau

Principal Activities

The principal activity of the Company during the year was the delivery of e-business products and services to businesses in Australia.

Review and Results of Operations

This year has seen initial low-level business operations. During the period under review the Company has marketed certain third party e-business software applications to end users through both direct and indirect channels. The main such application is Datagard – a secure on-line application for backing up data to a remote location.

The loss for the year of the Company for the period was \$ 581,302.

The Company had no employees at period end or at the date of this report.

Dividends

No dividend was declared or paid either during or since the end of the period. No recommendation for payment of dividends has been made.

Options

There were no options granted to Directors during or since the end of the financial period.

Likely Future Developments and Expected Results

The Company plans to continue the progressive marketing of e-business products and services with a view to establishing positive cashflow as soon as possible and thereafter to increase sales activity and expand the range of e-business applications offered. It is expected that sales activity will increasingly be concentrated on indirect channels through resellers and other third parties.

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the Company occurred during the financial period which are not disclosed in this report.

Significant after Balance Date Events

There are no significant events since balance date that may affect either the Company's operations or state of affairs which are not disclosed in note 22 to this report.

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DIRECTORS' REPORT

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under any law of the Commonwealth or of a State or Territory.

Indemnification of Officers

During the year the Company has not taken out insurance cover to indemnify each of the officers (directors and company secretary) in respect of any liability arising as a result of them acting as an officer.

Information on Directors

Directors' experience and qualifications are summarised as follows:

David Glavonjic ***Chairman & managing director***

Experience and qualifications

David'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 and worked closely with Paul Wyatt. 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.

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DIRECTORS' REPORT

Information on Directors (Continued)

Paul Wyatt

Director of business development

Experience and qualifications

Paul is an experienced marketing executive with a particular background in the IT and communications sector. For most of his career he has held positions of significant management responsibility including three years as managing director of a privately owned IT and telecommunications consulting company.

He subsequently moved to national sales & marketing manager of Flow Communications, a licensed telecommunications carrier specialising in broadband and data services where he reported to the CEO, before joining AAPT as wholesale manager for Queensland. This role involved both strategic development and the implementation of strategies in order to improve market share and customer retention. During this time also he had extensive customer contact (dealing regularly with a wide range of Telcos and ISPs) and also dealt directly on a regular basis with the senior operational, financial and IT management in all core functional areas within AAPT.

He holds various business-related qualifications from training organisations including the Australian Institute of Management. These include finance for sales and marketing, advanced negotiation skills, and business economics. He is also a member of the Australian Institute of Company Directors.

Jeremy Martineau

Director and Company secretary

Experience and qualifications

Throughout his career Jeremy has specialised in company transactional work where he has extensive experience in both project-management and advisory capacities. The main focus of his experience has been private business – often businesses with a strong growth profile or growth prospects.

He has a background in law and qualified in 1981. He was a partner with a substantial and long-established commercial firm in Birmingham for ten years before moving to Brisbane where he practised with McCullough Robertson from 1996. He subsequently 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. Although no longer involved in legal practice, he remains admitted to practise both in the UK and in Australia.

He holds a diploma in entrepreneurship studies and is a member of the Australian Institute of Company Directors.

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DIRECTORS' REPORT

Directors' meetings

Attendance at directors' meetings during the year was as follows:

	Directors' Meetings	
	No. Eligible to attend	No. Attended
David Glavonjic	3	3
Paul Wyatt	3	3
Jeremy Martineau	3	3

In common with many entrepreneurial companies the directors maintain regular telephone contact and have a practice of convening teleconferences to transact business as and when considered appropriate. During these discussions a wide range of matters, including both board issues and operational management, is typically considered. Decisions not taken at board meetings formally convened and held are recorded by formal written resolutions signed by each of the directors.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditors Independence Declaration

The auditor's independence declaration under section 307C of the Corporation Act 2001 is attached to this financial report on page 21.

Signed in accordance with a resolution of the board of directors:



David Glavonjic
Director

Dated at Sydney this 31st day of October 2007

SPHERITEC LTD
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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2006 \$	2006 \$
Revenue	3	50,340	2,691
Expenses	4	(631,642)	(370,888)
Loss before income tax	5	<u>(581,302)</u>	<u>(368,197)</u>
Income tax	6	-	-
Loss for the year		<u>(581,302)</u>	<u>(368,197)</u>

The above Income Statement is to be read in conjunction with the attached notes

SPHERITEC LTD
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BALANCE SHEET
AS AT 30 JUNE 2007

	Notes	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	7	117,322	161,825
Trade and other receivables	8	21,768	16,205
TOTAL CURRENT ASSETS		<u>139,090</u>	<u>178,030</u>
NON CURRENT ASSETS			
Property, plant and equipment	9	83,526	19,072
Intangibles	10	-	-
Other assets	11	2,962	2,850
TOTAL NON-CURRENT ASSETS		<u>86,488</u>	<u>21,922</u>
TOTAL ASSETS		<u>225,578</u>	<u>199,952</u>
CURRENT LIABILITIES			
Trade and other payables	12	124,795	168,049
Interest bearing loans	13	24,288	-
TOTAL CURRENT LIABILITIES		<u>149,083</u>	<u>168,049</u>
NON CURRENT LIABILITIES			
Interest bearing loans	13	41,894	-
TOTAL NON CURRENT LIABILITIES		<u>41,894</u>	<u>-</u>
TOTAL LIABILITIES		<u>190,977</u>	<u>168,049</u>
NET ASSETS		<u>34,601</u>	<u>31,903</u>
EQUITY			
Contributed equity	14	984,100	400,100
Accumulated losses	15	(949,499)	(368,197)
TOTAL EQUITY		<u>34,601</u>	<u>31,903</u>

The above Balance Sheet is to be read in conjunction with the attached notes

SPHERITEC LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		47,368	2,090
Payments to suppliers and employees		(631,015)	(160,410)
Interest received		4,607	381
GST recovered		<u>(8,428)</u>	<u>(15,985)</u>
Net cash used in operating activities	19(a)	<u>(587,468)</u>	<u>(173,924)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for, plant & equipment		(400)	(20,674)
Proceeds from sale of plant & equipment		2,345	-
Payments for intangibles		<u>(18,957)</u>	<u>(43,677)</u>
Net cash used in investing activities		<u>(17,012)</u>	<u>(64,351)</u>
CASH FLOW FROM FINANCIAL ACTIVITIES			
Proceeds from share issue		580,000	400,100
Repayment of finance lease		<u>(20,023)</u>	<u>-</u>
Net cash used in financial activities		<u>559,977</u>	<u>400,100</u>
Net increase in cash held		(44,503)	161,825
Cash at beginning of financial year		<u>161,825</u>	<u>-</u>
Cash at end of financial year	19(b)	<u>117,322</u>	<u>161,825</u>

The above statement of Cash Flows is to be read in conjunction with the attached notes.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

2007	Share Capital \$	Accumulated losses \$	Total \$
Total at the beginning of the year	400,100	(368,197)	31,903
Issue of share capital	584,000	-	584,000
Profit for the year	-	(581,302)	(581,302)
Total equity at the end of the year	<u>984,100</u>	<u>(949,499)</u>	<u>34,601</u>
2006	Share Capital \$	Accumulated losses \$	Total \$
Total at the beginning of the period	-	-	-
Issue of share capital	400,100	-	400,100
Profit for the period	-	(368,197)	(368,197)
Total equity at the end of the period	<u>400,100</u>	<u>(368,197)</u>	<u>31,903</u>

The above Statement of Changes in Equity is to be read in conjunction with the attached notes

SPHERITEC LTD
ACN 115 851 477
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: INTRODUCTION

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented.

The financial report is a general-purpose financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. These financial statements have been prepared under the historical cost convention.

Basis of Preparation*Going Concern*

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

There is material uncertainty as to whether the company can continue as a going concern for the following reasons:

- the company incurred a net loss of \$581,302 and has accumulated losses of \$949,499; and
- the company has an excess of current liabilities over current assets of \$9,993 and has net assets of \$34,607.

The ability of the company to continue as a going concern is principally dependent on the generation of increased operational cashflow (ie sales revenue) and the continuing support of the directors themselves as there are accrued sums due for the services of David Glavonjic and Jeremy Martineau which at the date of signing of the financial statements are still outstanding. The Company's sales revenue projections for the coming months indicate that, on the basis of the underlying assumptions, the Company can expect to become cashflow positive (at its current modest level of operational activity) during the current financial year. Both David Glavonjic and Jeremy Martineau have indicated their intention to continue their current level of support for the Company as regards payment for their services.

The directors believe that, whilst there may be material uncertainty regarding continuation as a going concern, the going concern basis of preparation is nevertheless appropriate.

Should the company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the company be unable to continue as a going concern.

Operations and Principal Activities

The principal activity of the Company during the year was that of the delivery of e-business products and services to businesses in Australia.

Currency

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Registered Office

The registered office of Spheritec Ltd is Suite 22, 36 Agnes Street, Fortitude Valley, Queensland 4006.

Authorisation of Financial Report

The financial report was authorised for issue on 31 October 2007 by the board of directors.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted by Spheritec Ltd are stated in order to assist in a general understanding of the financial report.

a) Revenue Recognition

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer. In most cases this coincides with the transfer of legal title or the passing of possession to the buyer.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the percentage of the services performed.

(b) 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.

(c) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand with banks or financial institutions.

(d) Receivables

Trade accounts receivable represent the principal amounts due at balance date less, where applicable, any provision for doubtful accounts (if any).

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried stated at cost less accumulated depreciation.

Depreciation

The depreciable amount of all fixed assets is written down over the estimated useful lives of the assets concerned beginning from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Computer equipment	20%	Straight Line

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FOR THE YEAR ENDED 30 JUNE 2007

(f) Payables

Trade payables and accruals represent the principal amounts outstanding at balance date and are non-interest bearing.

(g) Leases

A distinction is made between finance leases, which transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased asset, and operating leases under which the lessor effectively retains substantially all the risks and benefits. Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. Operating lease rental expense is recognised as an expense on a straight line basis over the lease term.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(i) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amounts of intangible assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss for the reporting period in which it occurs. Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets. Discounted cash flows are used in determining recoverable amounts of non-current assets.

(j) Software development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and when its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a unit sales basis over its useful life.

(k) New Accounting Standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments Australian Accounting Standards [AASB 101: Presentation of Financial Statements, AASB 117: Leases, AASB 139: Financial Instruments: Recognition and Measurement] are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
NOTE 3: REVENUE		
Provision of services	45,403	2,310
Bank interest receivable	4,607	381
Profit on sale of fixed assets	330	-
	<u>50,340</u>	<u>2,691</u>

NOTE 4: EXPENSES

Cost of sales	7,856	5,167
Development costs	(4,823)	99,857
Administration costs	103,732	62,339
Prospectus related costs	-	119,331
Personnel costs	475,252	55,264
Occupancy expenses	21,521	8,538
Other expenses	28,104	20,392
	<u>631,642</u>	<u>370,888</u>

An Impairment loss of \$8,136 (2006: \$67,457) is included within Development costs and relates to capitalised costs which have been impaired in full. During 2007 credits totalling \$12,959 have been received regarding these development costs and hence the impairment loss has been reversed by the same amount.

NOTE 5: LOSS BEFORE INCOME TAX

Loss before income tax expense has been determined after:

Minimum lease payments	21,521	8,538
Impairment loss/(reversal) - intangible assets	(4,823)	67,457
Depreciation	20,136	1,602

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NOTES TO THE FINANCIAL STATEMENTS
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	2007	2006
	\$	\$
NOTE 6: INCOME TAX		
The components of income tax comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Explanation of the relationship between tax expense and accounting profit:		
Prima facie tax expense/(benefit) on profit before tax (calculated at 30%)	(174,391)	(110,459)
Non-deductible expenses	(182)	61,601
Deferred tax asset not brought to account	<u>174,573</u>	<u>48,858</u>
Income tax expense/(benefit)	<u>-</u>	<u>-</u>
Current tax liability	<u>-</u>	<u>-</u>
Deferred tax assets		
A deferred tax asset of \$222,838 (2006: \$48,858) attributable to tax losses carried forward has not been brought to account because the directors do not believe it is appropriate to regard realisation of the deferred tax as probable within the foreseeable future.		
NOTE 7: CASH AND CASH EQUIVALENTS		
Cash at bank	<u>117,322</u>	<u>161,825</u>
NOTE 8: TRADE AND OTHER RECEIVABLES		
Trade receivables	698	604
Prepayments	2,667	-
Other receivables	<u>18,403</u>	<u>15,601</u>
	<u>21,768</u>	<u>16,205</u>

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FOR THE YEAR ENDED 30 JUNE 2007

NOTE 9: PROPERTY, PLANT AND EQUIPMENT	2007	2006
	\$	\$
Computer equipment at cost - owned	19,059	20,674
Accumulated depreciation	(5,804)	(1,602)
	<u>13,255</u>	<u>19,072</u>
Computer equipment at cost - leased	86,205	-
Accumulated amortisation	(15,934)	-
	<u>70,271</u>	<u>-</u>
Total property, plant and equipment	<u>83,526</u>	<u>19,072</u>
<i>Movement during period</i>		
Opening carrying amount	19,072	-
Additions	86,605	20,674
Disposals	(2,015)	-
Depreciation	(20,136)	(1,602)
Closing carrying amount	<u>83,526</u>	<u>19,072</u>
NOTE 10: INTANGIBLES		
Licenses and software development - at cost	62,634	67,457
Impairment (loss)/reversal	(62,634)	(67,457)
	<u>-</u>	<u>-</u>
<i>Movement during period</i>		
Opening carrying amount	-	-
Additions	(4,823)	67,457
Impairment (loss)/reversal	4,823	(67,457)
	<u>-</u>	<u>-</u>
NOTE 11: OTHER ASSETS		
Security deposit	<u>2,962</u>	<u>2,850</u>
NOTE 12: TRADE AND OTHER PAYABLES		
Current		
Trade creditors (unsecured)	124,795	108,183
Other creditors (unsecured)	-	9,866
Monies received for shares yet to be issued	-	50,000
	<u>124,795</u>	<u>168,049</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
NOTE 13: INTEREST BEARING LIABILITIES		
Current		
Finance leases	24,288	-
Non current		
Finance leases	41,894	-
Lease liability are subject to recourse by the lessor against the leased assets		
Commitments in relation to finance leases are payable as follows:		
Not later than one year	31,371	-
Later than one year but not later than five years	46,565	-
	77,936	-
Less future finance charges	(11,754)	-
Lease liability	66,182	-
Represented by:		
Current liability	24,288	-
Non-current liability	41,894	-
	66,182	-

NOTE 14: EQUITY

	2007		2006	
Share Capital	No. of Shares	\$	No. of Shares	\$
Issued and paid up:	19,800,000	984,100	13,500,000	400,100

Movement

During the year 5,800,000 shares were issued to a small number of investors for \$0.10 each.

In addition, 500,000 shares were issued in consideration for strategic consultancy. Refer to note 24 for additional information.

Voting rights

The shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held and, for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

Dividends

Dividends are payable on all shares pro rata to the total amount for the time being paid.

	2007	2006
	\$	\$
NOTE 15: ACCUMULATED LOSSES		
Balance at beginning of year	(368,197)	-
Loss for the year	(581,302)	(368,197)
Balance at end of year	(949,499)	(368,197)

NOTE 16: AUDITOR'S REMUNERATION

Audit of the financial statements	8,000	3,000
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SPHERITEC LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 17: RELATED PARTY DISCLOSURES

Key management personnel

The name of and position held by each person acting in a key management position with the Company during the period are:

David Glavonjic	Chairman and managing director
Paul Wyatt	Director of business development
Jeremy Martineau	Director

Key Management Personnel Remuneration for the Year

Year Ended 30 June 2007

	Short Term Benefits		Post Employment Benefits	Share Based payments	Total
	Salary & Fees \$	Non- monetary \$	Superannuation \$	Options \$	
Directors					
David Glavonjic	107,500	-	1,530	-	109,030
Paul Wyatt	102,000	-	2,295	-	104,295
Jeremy Martineau	46,000	-	-	-	46,000
Total	255,500	-	3,825	-	259,325

Year Ended 30 June 2006

	Short Term Benefits		Post Employment Benefits	Share Based payments	Total
	Salary & Fees \$	Non- monetary \$	Superannuation \$	Options \$	
Directors					
David Glavonjic	15,000	-	1,350	-	16,350
Paul Wyatt	15,000	-	1,350	-	16,350
Campbell Johnstone	6,750	-	-	-	6,750
Jeremy Martineau	8,000	-	-	-	8,000
Total	44,750	-	2,700	-	47,450

Key Management Personnel Remuneration

The board has a general policy of setting and paying remuneration in line with market levels commensurate with its assessment of each individual's knowledge, skills and experience, and also contacts, relevant to the position in question. This general policy is nevertheless subject to what the board considers reasonable in light of circumstances generally and to specific factors relevant to the company's position as a start-up venture – in particular:

- The company's overall funding position, and its ability to fund what might otherwise be appropriate levels of remuneration, having regard to actual and anticipated investment and revenue;
- Actual corporate and individual performance relative to agreed objectives determined on the basis of the company's business plan; and
- Individual commitment and incentive in terms of equity investment in the company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 17: RELATED PARTY DISCLOSURES (Continued)

At the date of these financial statements the directors (whether themselves or through any associate or related party) are entitled to aggregate remuneration of \$22,000 per month payable to consulting entities under which their services are provided. From 1 November 2007 this figure is \$8,000. The reduction results from agreed arrangements under which no further payment is due in respect of the services of either David Glavonjic or Jeremy Martineau for the period from the end of the month during which the offer by SafeWorld Australia Ltd (see note 22) becomes unconditional. As that offer was declared unconditional during October, no further such sum accrues due after 31 October.

These arrangements were agreed in recognition of the fact that both David Glavonjic and Jeremy Martineau may properly be considered 'head office' costs to be borne by SafeWorld Australia Ltd as the company's holding company rather than by Spheritec itself. The entitlement to remuneration (including its cessation as described in relation to David Glavonjic and Jeremy Martineau) is formally documented in each case. Each consultancy may be terminated by either party on not less than three months' notice to expire; either party may also terminate immediately upon cessation of business by Spheritec or any insolvency of Spheritec. No director is entitled (directly or indirectly) to any other remuneration (including any performance bonus) under these arrangements.

The board may at its discretion from time to time vary or replace these arrangements but has no present intention of departing from the general policy explained above. During the year, and in line with this policy, the board substantially reduced the payment entitlement of directors or their related parties (who comprise the principal management of the company) and then suspended and accrued payment for the services of David Glavonjic and Jeremy Martineau. In addition, where relevant, service provider payment arrangements generally were moved from an employment basis to a consultancy basis.

NOTE 18: LEASE COMMITMENTS

Commitments in relation to the leases of office premises are payable as follows:	2007 \$	2006 \$
Not later than one year	12,367	12,367
Later than one year but not later than five years	-	-
	12,367	12,367

NOTE 19: CASH FLOW INFORMATION

<i>(a) Reconciliation of cash flows from Loss for the year</i>	2007 \$	2006 \$
Loss for the year	(581,302)	(368,197)
Depreciation	20,136	1,602
Impairment loss/(reversal) - intangibles	(4,823)	43,677
Loss / (gain) on sale of fixed asset	(330)	-
Share based payment	4,000	-
<i>Changes in assets and liabilities:</i>		
Trade receivables	(94)	(604)
Others non current assets	(2,779)	(2,850)
Trade and other payables	(19,474)	168,049
GST clearing	(2,802)	(15,601)
Cash flows from operations	(587,468)	(173,924)

SPHERITEC LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 19: CASH FLOW INFORMATION (Continued)

	2007	2006
	\$	\$
<i>(b) Reconciliation of cash</i>		
Cash at the end of the year as shown in the statement of cash flows in reconciled to the related items in the balance sheet as follows:		
Cash at bank	117,322	161,825

NOTE 20: FINANCIAL INSTRUMENTS**Interest Rate Risk**

Exposure of Spheritec Ltd to interest rate risks on financial assets and liabilities is summarised as follows:

30 June 2007

	Weighted Average Effective Interest Rate	Interest Bearing	Non-Interest Bearing	Total
	%	\$	\$	\$
Financial Assets				
Cash	2.8%	117,027	295	117,322
Trade and other receivables	-	-	21,768	21,768
Total financial assets		117,027	22,063	139,090
Financial Liabilities				
Trade and other payables	-	-	124,795	124,795
Finance leases	12.7%	66,182	-	66,182
Total financial liabilities		66,182	124,795	190,977
Net financial assets/ (liabilities)		50,845	(102,732)	(51,887)

30 June 2006

	Weighted Average Effective Interest Rate	Interest Bearing	Non-Interest Bearing	Total
	%	\$	\$	\$
Financial Assets				
Cash	2.8%	161,725	100	161,825
Trade and other receivables	-	-	16,205	16,205
Total financial assets		161,725	16,305	178,030
Financial Liabilities				
Trade and other payables	-	-	168,049	168,049
Total financial liabilities		-	168,049	168,049
Net financial assets/ (liabilities)		161,725	(151,744)	9,981

Credit Risk Exposure

The maximum credit risk exposure of financial assets is represented by the carrying amounts of assets recognised in the balance sheet. The Company has no concentration of credit risk.

SPHERITEC LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21: CONTINGENT ASSETS AND LIABILITIES

The Company is unaware of any contingent assets or liabilities at 30 June 2007.

NOTE 22: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since the balance sheet date there has been a recommended offer to Spheritec shareholders by SafeWorld Australia Ltd (now in the process of changing its name to e-Business Systems Ltd) in the terms of the bidder's statement dated 28 September 2007 sent to Spheritec shareholders. At the date of this report this offer has been declared unconditional following receipt by SafeWorld Australia Ltd of approval from its own shareholders and from Spheritec shareholders of acceptances for 90% or more of Spheritec shares.

It is therefore expected that SafeWorld Australia Ltd will shortly become registered as the holder of those shares in respect of which it has received acceptances and in due course to proceed to compulsory acquisition of the balance; the Company can be expected then to become a wholly owned subsidiary of SafeWorld Australia Ltd. SafeWorld Australia Ltd's intentions in relation to the Company are disclosed in the bidder's statement which was duly lodged with the Australian Securities & Investments Commission as required under the Corporations Act.

Investment totalling \$195,000 has been raised by the company since the balance sheet date. This sum represents subscription for ordinary shares (which have been duly issued) at an issue price of \$0.04 each.

There are no other significant events since balance date that may affect either the Company's operations or state of affairs.

NOTE 23: SEGMENT REPORTING

The Company operates in one segment, being the delivery of e-business products and services to businesses in Australia.

NOTE 24: SHARE BASED PAYMENTS

On 2 November 2006, the directors of the company resolved that shares and options be issued and granted in consideration for receiving strategic consulting for the two year period to 31 October 2008.

Summary of shares issued during the year

500,000 shares in aggregate were issued and credited as fully paid

Summary of options granted during the year

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number
2-Nov-06	30-Jun-09	\$0.10	-	500,000	-	500,000
2-Nov-06	30-Jun-09	\$0.75	-	500,000	-	500,000

Fair value of equity-settled share-based payment transactions

The assessed fair value has been determined to be \$4,000 based upon the market value of strategic consulting services received up to 30 June 2007.

**SPHERITEC LTD
ACN 115 851 477**

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 19 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at, 30 June 2007 and of the performance for the financial year ended on that date of the Company.
2. 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.

This declaration is made in accordance with a resolution of the directors.



David Glavonjic
Director

Dated at Sydney this 31st day of October 2007



Chartered Accountants
& Business Advisers

**SPHERITEC LTD
ACN 115 851 477**

AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors of Spheritec Ltd

As lead engagement partner for the audit of Spheritec Ltd for the year 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
Chartered Accountants

Kim Colyer
Partner – Corporate Services

Dated at Brisbane this 31st day of October 2007

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Chartered Accountants
& Business Advisers

**SPHERITEC LTD
ACN 115 851 477**

INDEPENDENT AUDIT REPORT

To the members of Spheritec Ltd

We have audited the accompanying financial report of Spheritec Ltd, 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.

Directors' Responsibility

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.

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.

Auditor's Opinion

In our opinion the financial report of Spheritec Ltd is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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SPHERITEC LTD
ACN 115 851 477

INDEPENDENT AUDIT REPORT

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of \$581,302 during the year ended 30 June 2007 and, as of that date, the company's current liabilities exceeded its total assets by \$9,993. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

A handwritten signature in blue ink that reads 'PKF'.

PKF
Chartered Accountants

A handwritten signature in blue ink that reads 'Kim Colyer'.

Kim Colyer
Partner – Corporate Services

Dated at Brisbane this 31st day of October 2007