

# **Appendix 4E**

## **Preliminary Final Report**

**for the year ended 31 October 2016**

**eServGlobal Limited**

**ABN 59 052 947 743**

## 1. Reporting Period

Current reporting period : Financial year ended 31 October 2016

Previous reporting period : Financial year ended 31 October 2015

## 2. Results (unaudited) for announcement to the market

Results				A\$ '000
Revenue	Down	16.6%	to	21,577
Loss after tax	Down	32.8%	to	(21,742)
Loss after tax attributable to members	Down	32.6%	to	(21,938)
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
<b><i>Current period</i></b>				
Interim dividend	Nil ¢		0%	
Final dividend	Nil ¢		0%	
<b><i>Previous corresponding period</i></b>				
Interim dividend	Nil ¢		0%	
Final dividend	Nil ¢		0%	
Record date for determining entitlements to the dividend.	N/A			

**Brief explanation of the figures above**

The consolidated entity achieved sales revenue for the year of \$21.6 million (2015: \$25.9 million).

Earnings before interest, tax, depreciation and amortisation and goodwill impairment ("EBITDA") was a loss of \$11.0 million, inclusive of foreign exchange gains of \$3.6 million (2015: EBITDA loss of \$22.9 million inclusive of foreign exchange gains of \$0.9 million).

The net result of the consolidated entity for the year to 31 October 2016 was a loss after tax and minority interest for the year of \$21.7 million (2015: loss after tax and minority interest of \$32.4 million). Included in this result was an income tax expense of \$0.6 million (2015: income tax expense of \$2.1 million). Loss per share was 6.0 cents (2015: loss per share 12.3 cents).

The operating cash flow for the year was a net outflow of \$12.0 million (2015: net outflow \$15.7 million). Total cash flow for the period was a net inflow of \$5.5 million inclusive of net proceeds from the issue of shares of \$18.3 million and proceeds from borrowings of \$6.8 million, offset by payment of debt restructuring costs of \$3.3 million and repayment of borrowings of \$4 million (2015: net inflow of \$1.0 million inclusive of net proceeds from the issue of shares of \$5.5m and proceeds from borrowings of \$15.5m). Cash at 31 October 2016 was \$9.4 million.

**Subsequent Events**

There has not been any matter or circumstance 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.

### 3. Consolidated statement of profit or loss and other comprehensive income

	Year Ended 31 Oct 2016 \$'000	Year Ended 31 Oct 2015 \$'000
<b>Revenue</b>	21,577	25,866
Cost of sales	(15,490)	(20,608)
Gross profit	6,087	5,258
Fair value gain on derivative financial liability	-	1,280
Foreign exchange gain	3,621	883
Research and development expenses	(1,284)	(931)
Sales and marketing expenses	(5,612)	(7,008)
Administration expenses	(9,148)	(18,522)
Share of loss of associate	(4,638)	(3,831)
<i>Earnings before interest, tax, depreciation, amortisation and goodwill impairment</i>	(10,974)	(22,871)
Amortisation expense	(2,970)	(1,883)
Depreciation expense	(87)	(137)
Impairment of goodwill	-	(4,002)
<i>Earnings before interest and tax</i>	(14,031)	(28,893)
Finance cost	6 (7,115)	(1,356)
<b>Loss before tax</b>	<b>(21,146)</b>	<b>(30,249)</b>
Income tax expense	(596)	(2,125)
<b>Loss for the year</b>	<b>(21,742)</b>	<b>(32,374)</b>
<b>Other comprehensive income/(loss)</b> <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on the translation of foreign operations (nil tax impact)	(2,910)	4,297
<b>Total comprehensive (loss)/income for the year</b>	<b>(24,652)</b>	<b>(28,077)</b>
<b>Loss attributable to:</b>		
Equity holders of the parent	(21,938)	(32,540)
Non-controlling interest	196	166
	<b>(21,742)</b>	<b>(32,374)</b>
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the parent	(24,813)	(28,265)
Non-controlling interest	161	188
	<b>(24,652)</b>	<b>(28,077)</b>
<b>Loss per share:</b>		
Basic (cents per share)	<b>(6.0)</b>	<b>(12.3)</b>
Diluted (cents per share)	<b>(6.0)</b>	<b>(12.3)</b>

#### 4. Consolidated statement of financial position

	Note	31 Oct 2016 \$'000	31 Oct 2015 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	7	9,375	4,976
Trade receivables and work in progress	8	14,939	21,586
Other current assets	9(a)	3,037	8,160
Inventories		72	66
Current tax assets		817	107
<b>Total Current Assets</b>		<b>28,240</b>	<b>34,895</b>
<b>Non-Current Assets</b>			
Investment in associate	13	24,986	31,473
Property, plant and equipment		32	84
Trade receivables	8	1,596	-
Deferred tax assets		1,062	976
Other intangible assets – capitalised software development		5,598	6,939
Other non-current assets	9(b)	-	3,456
<b>Total Non-Current Assets</b>		<b>33,274</b>	<b>42,928</b>
<b>Total Assets</b>		<b>61,514</b>	<b>77,823</b>
<b>Current Liabilities</b>			
Trade and other payables	11	11,488	19,619
Borrowings	12	-	3,000
Current tax payables		280	235
Provisions		1,009	1,380
Deferred revenue		1,692	1,286
<b>Total Current Liabilities</b>		<b>14,469</b>	<b>25,520</b>
<b>Non-Current Liabilities</b>			
Borrowings	12	11,759	16,531
Other financial liabilities	10	-	2,058
Provisions		890	943
<b>Total Non-Current Liabilities</b>		<b>12,649</b>	<b>19,532</b>
<b>Total Liabilities</b>		<b>27,118</b>	<b>45,052</b>
<b>Net Assets</b>		<b>34,396</b>	<b>32,771</b>
<b>Equity</b>			
Issued capital	5	142,276	116,074
Reserves	5	(2,626)	174
Accumulated Losses		(105,827)	(83,889)
Parent entity interest		33,823	32,359
Non-controlling interest		573	412
<b>Total Equity</b>		<b>34,396</b>	<b>32,771</b>

## 5. Consolidated statement of changes in equity

	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Share Based Payments Reserve \$'000	Accumu- lated Losses \$'000	Attributable to owners of the parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 November 2015	116,074	(2,791)	2,965	(83,889)	32,359	412	32,771
(Loss)/Profit for the year	-	-	-	(21,938)	(21,938)	196	(21,742)
Exchange differences arising on translation of foreign operations	-	(2,875)	-	-	(2,875)	(35)	(2,910)
Total comprehensive loss for the year (net of tax)	-	(2,875)	-	(21,938)	(24,813)	161	(24,652)
Issue of new shares (Note 5.1)	26,202	-	-	-	26,202	-	26,202
Equity settled payments	-	-	75	-	75	-	75
<b>Balance at 31 October 2016</b>	<b>142,276</b>	<b>(5,666)</b>	<b>3,040</b>	<b>(105,827)</b>	<b>33,823</b>	<b>573</b>	<b>34,396</b>
Balance at 1 November 2014	110,574	(7,066)	2,911	(51,349)	55,070	224	55,294
(Loss)/Profit for the year	-	-	-	(32,540)	(32,540)	166	(32,374)
Exchange differences arising on translation of foreign operations	-	4,275	-	-	4,275	22	4,297
Total comprehensive loss for the year (net of tax)	-	4,275	-	(32,540)	(28,265)	188	(28,077)
Issue of new shares (Note 5.1)	5,500	-	-	-	5,500	-	5,500
Equity settled payments	-	-	54	-	54	-	54
<b>Balance at 31 October 2015</b>	<b>116,074</b>	<b>(2,791)</b>	<b>2,965</b>	<b>(83,889)</b>	<b>32,359</b>	<b>412</b>	<b>32,771</b>

### 5.1 Issue of new shares

During the current year, the company issued a total of 374,409,944 shares (2015: 10,000,000), for proceeds of \$26.202 million net of expenses (2015: \$5.5 million). The shares were issued through private placement and open offer (non-renounceable rights issue) to shareholders as permitted under Australian and UK law at the issue price of \$0.08 (4 pence) per share.

	<b>31 October 2016 \$'000</b>
Reconciliation of new shares issued:	
Gross cash proceeds from issue of shares	19,609
Borrowings converted to equity (i)	7,940
	<u>27,549</u>
Less: Share issue costs	(1,347)
Net proceeds of share capital issued	<u>26,202</u>

- (i) 110,141,050 shares were issued at 4 pence to the lenders Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited as part of the debt restructure. Total of \$7.94 million of the existing loan was converted to equity. Refer Note 12 for details on debt restructure.

## 6. Finance Costs

	Year Ended 31 Oct 2016 \$'000	Year Ended 31 Oct 2015 \$'000
Bank borrowings – interest	90	214
Other entities – interest	124	164
Shareholder loans:		
- Interest	1,781	617
- Amortisation of establishment costs and premium	413	225
- Amortisation of prepaid share option cost associated with the loan	453	136
- Debt restructure fees	3,250	-
- Loss on extinguishment of borrowings	1,004	-
	<b>7,115</b>	<b>1,356</b>

## 7. Consolidated statement of cash flows

	Year Ended 31 Oct 2016 \$'000	Year Ended 31 Oct 2015 \$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	18,320	21,244
Payments to suppliers and employees	(29,470)	(33,374)
Refund of research & development tax credits	438	-
Interest and other finance cost paid	(175)	(426)
Income tax paid	(1,159)	(3,148)
Net cash used in operating activities	(12,046)	(15,704)
<b>Cash Flows From Investing Activities</b>		
Escrow proceeds from HomeSend business divestment	5,133	-
Investment in HomeSend joint venture company	(3,905)	(1,350)
Payment for property, plant and equipment	(35)	(163)
Software development costs	(1,548)	(2,758)
Net cash used in investing activities	(355)	(4,271)
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of shares	19,609	5,788
Payment for share issue costs	(1,347)	(288)
Payment of debt restructuring costs	(3,250)	-
Proceeds from borrowings	6,834	15,457
Repayment of borrowings	(3,980)	-
Net cash provided by financing activities	17,866	20,957
<b>Net increase in Cash and Cash Equivalents</b>	5,465	982
<b>Cash At The Beginning Of The Year</b>	4,976	3,679
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,066)	315
<b>Cash and Cash Equivalents At The End Of The Year</b>	9,375	4,976



## 7.1 Notes to the consolidated statement of cash flows

	31 Oct 2016 \$'000	31 Oct 2015 \$'000
<b>a) Reconciliation of cash</b>		
Cash and cash equivalents	9,375	4,976
	<b>Year Ended 31 Oct 2016 \$'000</b>	<b>Year Ended 31 Oct 2015 \$'000</b>
<b>b) Reconciliation of loss for the year to net cash flows from operating activities</b>		
Loss for the year	(21,742)	(32,374)
Depreciation of non-current assets	87	137
Amortisation of non-current assets	2,969	1,883
Foreign exchange (gain)/loss, including changes in foreign currency net assets and liabilities	(4,020)	370
Equity settled share-based payments	75	54
Non-cash finance cost	3,651	977
Non-operating finance cost	3,250	-
Share of loss of associate	4,638	3,831
Fair value gain on derivative financial liability	-	(1,280)
(Increase)/decrease in current income tax balances	(666)	(1,798)
(Increase)/decrease in deferred tax balances	(86)	726
Impairment of goodwill	-	4,002
Impairment loss recognised on trade receivables and work in progress	(377)	7,193
<i>Changes in net assets and liabilities:</i>		
<i>(Increase)/decrease in assets:</i>		
- Trade receivables, work in progress and other assets	1,938	(4,825)
- Inventories	(6)	106
<i>Increase/(decrease) in liabilities:</i>		
- Trade and other payables	(1,792)	4,840
- Provisions	(371)	284
- Other liabilities	406	170
<b>Net cash used in operating activities</b>	<b>(12,046)</b>	<b>(15,704)</b>

## 8. Trade receivables and work in progress

	31 October 2016 \$'000	31 October 2015 \$'000
<b>(a) Current trade receivables and work in progress</b>		
Trade receivables	8,715	17,029
Less : Allowance for doubtful debts	(3,733)	(5,514)
	4,982	11,515
Work in progress	14,723	13,433
Less : Allowance for non-recoverability and losses	(4,766)	(3,362)
	9,957	10,071
	14,939	21,586
<b>(b) Non-current trade receivables</b>		
Trade receivables	1,596	-

## 9. Other assets

	31 October 2016 \$'000	31 October 2015 \$'000
<b>(a) Current</b>		
Deferred sales proceeds held in escrow account (i)	-	5,343
Prepayments	1,149	1,117
Deposits and other current assets	1,888	1,700
	3,037	8,160
<b>(b) Non-current</b>		
Unamortised loan facility cost (ii)	-	3,456
	-	3,456

(i) Escrow funds were released on 3 April 2016.

(ii) Unamortised loan facility cost as at 31 October 2015 included loan establishment cost (net of amortisation) of \$0.334 million and fair value of share options issued associated with the loan (net of amortisation) of \$3.122 million. On 6 June 2016, the terms of the existing loan were substantially modified under a Deed of Debt and Capital Restructure ("Deed") between the Company and its lenders Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited. Under the terms of the Deed the existing loans were replaced by a new loan facility and the share options associated with the existing loans were cancelled. Refer Note 12 for details.

The total unamortised facility costs have been written off as a result of the extinguishment and derecognition of the existing loan.

## 10. Other financial liabilities

Derivative financial liability of \$2.058 million in the prior year in relation to the fair value of options granted by the Company in connection with the shareholder loans from Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited were derecognised upon the cancellation of the options as part of the loan restructure on 6 June 2016. Refer Note 12 for details.

## 11. Trade and other payables

	31 October 2016 \$'000	31 October 2015 \$'000
Trade payables	1,768	5,108
Balance due on partly paid shares subscribed in associate company (i)	-	4,059
Accruals and other payables	9,720	10,452
	11,488	19,619

- (i) The balance due on the partly paid shares in the HomeSend joint venture company of 2.625 million Euros (\$4.059 million) was paid on 3 April 2016.

## 12. Borrowings

	31 October 2016 \$'000	31 October 2015 \$'000
<b>Interest bearing secured loans</b>		
Current (i)	-	3,000
Non-current (ii)	11,759	16,531
	11,759	19,531

- (i) The National Australia Bank loan of \$3 million was repaid in full on 23 March 2016.
- (ii) On 6 June 2016, the Company entered into a Deed of Debt and Capital Restructure ("Deed") with its lenders Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited. Under the terms of the Deed, the existing loan facility was replaced by a new loan of \$11.2 million (GBP 7 million) accruing compound interest of 1% per month. Total of \$7.94 million (GBP 4.4 million) of the existing loan was converted to equity and a total 47,866,107 share options associated with the existing loans were cancelled by the lenders. Debt restructure fee of \$3.25 million (GBP 1.8 million) was paid to the lenders. The new loan including accrued interest is due for repayment in June 2019.

### 13. Investment in associate

Details of the material investment in associate at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			31 October 2016	31 October 2015
Homesend SCRL (i)	Provision of international mobile money services	Brussels, Belgium	35%	35%

- (i) HomeSend SCRL was formed on 3 April 2014. The directors have determined that the Group exercises significant influence over HomeSend SCRL by virtue of its 35% voting power in shareholders meetings and its contractual right to appoint two out of six directors to the board of directors of that company. The associate is accounted for using the equity method.

### 14. Net Tangible Assets per security

	31 October 2016	31 October 2015
Net tangible assets per security	4.5 cents	10 cents

### 15. Dividends

	Amount	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend	Date paid/ payable
<b>Interim dividend:</b> Current year	Nil	N/A	N/A	N/A	N/A
Previous year	Nil	N/A	N/A	N/A	N/A
<b>Final dividend:</b> Current year	Nil	N/A	N/A	N/A	N/A
Previous year	Nil	N/A	N/A	N/A	N/A

There are no Dividend Reinvestment Plans.

**16. Control gained over entities**

N/A

**16.1 Loss of control over entities**

N/A

**17. Subsequent Events**

There has not been any matter or circumstance 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.

**18. Commentary on Results for the Period**

Refer to the explanation of results in Section 2.

**19. Accounts**

This report is based on accounts which are in the process of being audited.



Director

Print name: JOHN CONOLEY

Date: 20 December 2016