eServGlobal Limited

ABN 59 052 947 743

Financial report for the financial year ended 31 October 2016

Annual financial report
For the financial year ended
31 October 2016

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Executive Chairman’s review

FY2016 was a year of significant achievement in eServGlobal, yet not a year in which we could demonstrate success to our investors. HomeSend’s strategic progress was however marked. Our core business, while lossmaking, came back to life on the sales front at the end, and our cost cutting has been very significant.

The HomeSend Joint Venture has moved forward on several strategic fronts and as we look back on the progress made since joint venture formation, I believe it is now possible to ‘connect the dots’ of the individual milestones which have come together to show a very different picture than a few short years ago. HomeSend has pivoted to significantly enlarge both its capabilities and the potential target markets it can serve. The hub now provides global payment functionality for person-to-person transfers as well as international SME and banking transactions.

The strategic positioning of HomeSend within the Mastercard suite of solutions has also evolved in the last two years. HomeSend’s solution will now facilitate more use cases than originally conceived and there is an evident synergy with Mastercard’s global strategy. Supported by the strength of Mastercard, HomeSend now offers an investment case far larger than originally presented to the market.

HomeSend can now tap into the substantial global payments market, namely bank and card transfers. This market is ripe for disruption. McKinsey expects annual global payments revenues to increase at an annual rate of 6 percent during the next five years, exceeding $2 trillion by 2020.

In the Core Business we have provided the first evidence of a turnaround in our sales function by reporting total contracted bookings over 60 percent higher than FY2015. A key strategic goal for FY2016 was to diversify the sales process by working with channel partners. Initial success with this strategy was achieved in October when eServGlobal signed a major channel partnership for mobile financial technology in areas of Africa. This partnership is expected to bring significant growth in regional opportunities over the next five years.

Of the new partnerships and opportunities, some are multi-year, and so we are cognisant that we cannot become complacent and we continue to hunt new opportunities while refining and improving our approach.

Our investors have, not for the first time, provided critical support to the Company through a substantial fundraising. In June we raised A$26.2m (€17.5m) through a placing offer. We used these funds to reduce outstanding loans, to continue addressing our cost base and to accelerate sales and marketing in the core business. I would like to express thanks to our shareholders for their support.

We recently welcomed Andrew Hayward to the Company and the Board as Chief Financial Officer. Andrew brings the right mix of financial and investor relations skills combined with senior strategic advisory experience, I am sure he will be an asset to the Board. I would like to thank my colleagues on the Board for their ongoing dedication and guidance during 2016.

I also want to express, on behalf of the Board, thanks to all the team at eServGlobal. Turning around this business has required perseverance, energy and ingenuity and I have witnessed this again and again across the Company.

Looking ahead, I have confidence that eServGlobal now has not only the foundations, but the first clear evidence of becoming a successful and sustainable business in a growing space. Likewise, the HomeSend Joint Venture is now well-positioned to address a substantially enlarged potential market, and I am excited about 2017.

John Conoley
Chairman

Directors' report

The directors of eServGlobal Limited submit herewith the financial report for the financial year ended 31 October 2016.

The names and particulars of the directors of the Company who served during or since the end of the financial year are shown below. The directors held office during the whole of the financial year except as noted:

Name	Particulars
John Conoley	Executive Chairman John's extensive experience spans the software, hardware, IT services, telecommunications and energy markets. He began his career in the IT industry with IBM in 1983, and worked on a range of industries in technical, sales, and marketing roles. Since then, John has held general management and director-level roles in small and medium-sized private and public companies. Recent roles include: Non-executive director with IT security Company Vistorm, Head of the £1.6bn B2B Energy Division at Eon, and Chief Executive Officer of mobile device Company Psion PLC, an international Company listed in the UK. He is also currently a non-executive director of London listed human capital management software Company NetDimensions (Holdings) PLC. John was appointed as a Director and a member of the Audit Committee of eServGlobal on 1 May 2013. John was appointed Executive Chairman of eServGlobal on 20 April 2015.
Andrew Hayward	Chief Financial Officer & Executive Director Andrew is an experienced finance executive with senior strategic advisory and investor relations experience. He is committed to increasing the long-term shareholder value and providing strategic insight and direction to the Company. Prior to joining eServGlobal, Andrew held the role of Head of Finance at Hurricane Energy PLC. Before this, he worked in various roles at PwC, latterly within the Corporate Finance Lead Advisory practice with a focus on Technology, Media and Telecommunications. Andrew joined eServGlobal as Chief Financial Officer on 10 October 2016 and was appointed to the Board as an Executive Director on 21 December 2016.
Stephen Baldwin	Non-executive Director, Chairman of the Audit Committee and Chairman of the Remuneration and Nomination Committee Stephen is a chartered accountant with over 30 years of business experience. He commenced his career with Pricewaterhouse and had a decade with the firm in three different countries. He was subsequently employed in the funds management industry for many years, initially with Hambro-Grantham and then with Colonial First State, where he was that group's Head of Private Equity. He has extensive Board experience across multiple industries. Other current roles include advising one of Australia's larger superannuation funds on their private markets program. Stephen holds a Bachelor of Commerce (Honours) from the University of Cape Town and is a member of the Institute of Chartered Accountants of Australia and New Zealand. Stephen was appointed a director and a member of the Audit Committee and the Remuneration and Nomination Committee on 25 November 2011. He was subsequently appointed as Chairman of the Audit Committee with effect from 1 May 2013 and then Chairman of the Remuneration and Nomination Committee on 20 July 2015.
Tom Rowe	Company Secretary & Non-executive Director

Tom Rowe has served as Company Secretary of eServGlobal since 6 April 2011. He is a Corporate and Commercial Lawyer practicing with Capital Corporate Law in Sydney with a specialty in corporate transactions, corporate governance and capital raising. Tom holds a BA LLB (Hons) from the University of Adelaide and Graduate Diplomas in both applied corporate governance and applied finance and investment.

Tom was appointed to the Board in March 2014. He subsequently became a member of the Remuneration and Nomination Committee on 20 July 2015.

Directors' report

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

Name	Company	Period of Directorship
John Conoley	NetDimensions (Holdings) Ltd	28 October 2016 to date

Company Secretary

Tom Rowe has served as Company Secretary of eServGlobal since 6 April 2011.

Principal activities

eServGlobal (LSE:ESG, ASX:ESV) is a provider of innovative mobile financial technology, offering solutions which put feature-rich services at the fingertips of users worldwide. eServGlobal covers the full spectrum of mobile financial services, mobile wallet, mobile commerce, analytics, advanced recharge, promotions and agent management.

For more than 30 years, eServGlobal has been a source of innovation for telcos and financial institutions. Service providers worldwide leverage eServGlobal's best-in-breed software to acquire and retain subscribers.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, enabling cross-border money transfer between mobile wallets, cards, bank accounts or cash outlets from anywhere in the world.

Directors' report

Review of operations

This report is to be read in conjunction with the Executive Chairman's review on page 2.

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

Earnings before interest, tax, depreciation, 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 non-controlling interest of $32.4 million). Included in this result was an income tax expense of $0.6 million (2015: income tax expenses 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 year 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 $4.0 million (2015: net inflow of $1.0 million inclusive of net proceeds from the issue of shares of $5.5 million and proceeds from borrowings of $15.5 million). Cash at 31 October 2016 was $9.4 million.

Changes in state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

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 through the date of this report.

Future developments

Details of future developments in the consolidated entity are contained in the Executive Chairman's review on page 2. To the extent that the disclosure of information regarding likely developments in the operations of the Group in future financial years, and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity, such information has not been disclosed in this report.

Environmental regulations

The consolidated entity operates primarily within the technology and telecommunication sector and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, customers, employees and suppliers.

During the year under review, the Directors are not aware of any particular or significant environmental issues which have been raised in relation to the consolidated entity's operations.

Dividends

No dividends were declared or paid during the financial year (2015: nil).

Directors' report

Share options

Unlisted Options

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. See Note 16 for details. The share options associated with the existing loans, which had been issued to Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited, were cancelled by the lenders. There are no share options associated with the new loan.

eServGlobal Employee Share Option Plan

The Company has an ownership-based remuneration scheme for directors, key management personnel and employees. In accordance with the provisions of the scheme, directors and employees may be granted options to acquire ordinary shares in the Company. The exercise of any share options is not dependent on any performance criteria, however, is dependent on a period of service relative to the vesting dates.

Share options granted to directors and senior management

During the financial year and up to the date of this report the Company granted 11,550,000 options to the directors and senior management of the entity and its controlled entities (2015: nil). Further details of the executive and employee share option plan are disclosed in Note 6 to the financial statements.

Details of unissued shares under option as at the date of this report are:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
eServGlobal Limited	1,950,000	Ordinary	$0.36	14 May 2017
eServGlobal Limited	1,000,000	Ordinary	$0.36	21 Dec 2017
eServGlobal Limited	640,000	Ordinary	$0.36	10 Jun 2018
eServGlobal Limited	3,000,000	Ordinary	$0.21	14 Mar 2021
eServGlobal Limited	2,000,000	Ordinary	$0.21	08 Aug 2021
eServGlobal Limited	6,550,000	Ordinary	$0.21	08 Aug 2021

During the financial year and up to the date of this report, there were no options exercised and 3,181,945 options cancelled.

Indemnification of officers and auditors

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

The Company has agreed to indemnify the directors of the Company for any liability incurred as a director or officer, to the extent permitted by the Corporations Act 2001.

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

Directors' report

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

	Board of Directors		Audit Committee		Remuneration and Nomination Committee	
Directors	Held *	Attended	Held*	Attended	Held*	Attended
Stephen Baldwin	15	14	5	5	4	4
John Conoley	15	15	5	5	-	-
Stephen Blundell	2	-	-	-	-	-
Tom Rowe	15	15	-	-	4	4

*Held during term of director's appointment to Board, Audit or Remuneration and Nomination Committees.

Non-audit services

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

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

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

The directors are of the opinion that the services as disclosed in Note 7 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 17 of the financial report.

Rounding off of amounts

The Company is a Company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with this Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' report

Remuneration Report

Determining remuneration policy for directors and key management personnel, and its relationship to eServGlobal's performance

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

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

At the Company's Annual General Meeting for the 2015 financial year, the Company received its second consecutive vote of at least 25% against the remuneration report. There were no comments made at the Annual General Meeting by shareholders on the remuneration report. The Board has not undertaken any action specifically in response to the shareholder vote on the remuneration report as no shareholder who voted against the remuneration report provided any reason for their vote specific to the remuneration practices of the Company. The Board has, however, continued its cost reductions across the business, with total key management personnel remuneration reducing from $2,639,078 in 2015 financial year to $1,605,411 in the current year.

Director and other key management personnel details

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

- John Conoley (Executive Chairman)
- Stephen Baldwin (Non-executive director)
- Tom Rowe (Company Secretary and non-executive director)
- Andrew Hayward (Chief Finance Officer, appointed 10 October 2016, and executive director, appointed 21 December 2016)
- Paolo Gagliardi (Chief Operating Officer)
- James Hume (Chief Technology Officer)
- Peter Green (Vice President Finance)
- Stephen Blundell (non-executive director until resignation on 17 December 2015)

Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year.

Directors' report

Elements of key management personnel remuneration

Non-executive directors are paid directors' fees. The Board reviews the level of fees from time to time, and sets individual non-executive directors fees based on the levels of fees for comparable listed companies in the appropriate parts of the world.

The non-executive directors are appointed by either the Board or shareholder vote and any appointment is subject to re-election on retirement required at Annual General Meetings.

Executive directors and other key management personnel remuneration comprise both Short Term Incentive (STI) and Long Term Incentive (LTI) components. The STI takes the form of a cash bonus and the LTI comprises the issue of share options under the eServGlobal Employee Share Option Plan.

a) The STI component for the executive directors and other key management personnel is as follows.

The Executive Chairman is remunerated on a salary package that includes a base salary. The Executive Chairman does not participate in any variable bonus plan. The Executive Chairman is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The Chief Finance Officer (CFO) is remunerated on a salary package basis that includes a base salary and a portion that is a variable component which is dependent on agreed performance objectives. The variable component is effective from 1 November 2016 and comprises elements relating to achievement of financial plan and specific business objectives. The CFO is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The Chief Operating Officer (COO) is remunerated on a salary package basis that includes a base salary, a portion that is a variable component which is dependent on agreed performance objectives, and various allowances such as housing and education. The variable component comprises elements relating to achievement of financial plan and agreed performance objectives relating to sales. The COO is a permanent employee with no fixed employment term and a notice period of three months required by either party.

The Chief Technology Officer (CTO) is remunerated on a salary package basis that includes a base salary and a portion that is a variable component which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The CTO is a permanent employee with no fixed employment term and a notice period of two months required by either party.

The Vice President Finance (VP Finance) is remunerated on a salary package that includes a base salary and a portion that is a variable component which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of financial plan and specific business objectives. The VP Finance is a permanent employee with no fixed employment term and a notice period of one month required by the Company and six months required by the employee.

b) The LTI (share option) component contains an element of reward to incentivise loyalty and continuity of service to the Company through the vesting of options over a defined period with eligibility being dependent on continued employment.

Directors' report

Elements of remuneration which are dependent on Company performance
The Board believes that it is critical that the above specified employees are driven by the financial performance of eServGlobal and, as detailed below, has structured key management personnel packages so that a portion of the variable component of their packages is directly linked to financial outcomes of eServGlobal. The targets are established annually and are approved by the Board at the same time as approval of the Group's business plan. The key measures of this are: earnings before interest, tax, depreciation and amortisation (EBITDA) and achievement of sales orders. The EBITDA component is confirmed in conjunction with the completion of the financial statements. The CFO, COO, CTO and VP Finance variable component is earned in full by reference to the financial result of the Group. These targets are selected to ensure alignment of shareholders' interests with key management personnel remuneration.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 31 October 2016.

	31 October 2016 $'000	31 October 2015 $'000	31 October 2014 $'000	31 October 2013 $'000	31 October 2012 $'000
Revenue	21,577	25,866	31,261	31,003	28,070
EBITDA	(10,974)	(22,871)	28,593	7,279	(8,656)
Net profit/(loss) after tax	(21,742)	(32,374)	14,240	10,374	(15,589)

	31 October 2016	31 October 2015	31 October 2014	31 October 2013	31 October 2012
Share price at start of year	$0.120	$0.660	$0.515	$0.200	$0.520
Share price at end of year	$0.105	$0.120	$0.660	$0.515	$0.200
Basic earnings/(loss) per share	(6.0)	(12.3)	5.6	4.3	(8.0)
Diluted earnings/(loss) per share	(6.0)	(12.3)	5.5	4.2	(8.0)

Directors' report

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

	Short-term employee benefits			Post Employment benefits	Share based payments			
2016	Salary & fees $	Bonus and commission (incl. variable pay component) $	Non-monetary $	Superannuation $	Options $	Termination Benefits $	Total $	Percentage of remuneration related to performance %
Directors								
S Baldwin	87,284	-	-	-	-	-	87,284	-
J Conoley (iii) (vii)	475,727	-	-	9,884	49,980	-	535,591	-
T Rowe (iv)	87,507	-	-	-	-	-	87,507	-
S Blundell (i) (iii) (v)	-	-	445	-	-	-	445	-
Group's other Key Management Personnel								
A Hayward (i) (iii) (vi)	9,334	-	-	-	-	-	9,334	-
J Hume (i) (iii)	264,816	-	1,811	-	6,417	-	273,044	-
P Green (i) (iii)	193,335	-	4,612	7,831	2,528	-	208,306	-
P Gagliardi (i) (ii)	319,697	76,035	-	-	8,168	-	403,900	19%
Total	1,437,700	76,035	6,868	17,715	67,093	-	1,605,411	-

(i) Key management personnel are remunerated on a salary package basis that includes an appropriate portion that is a variable component which is dependent on Group's performance. Variable pay components are confirmed based on achievement of sales performance plan or corporate performance plan (earnings before interest, tax, depreciation and amortisation targets) established during the financial year. The corporate performance plan was not met and accordingly no bonus was payable in respect of this variable pay component. The payment of sales commission to P Gagliardi is based on achievement of sales performance plan target.
(ii) Paid in Euros and subject to foreign exchange fluctuations at Group level.
(iii) Paid in GBP and subject to foreign exchange fluctuations at Group level.
(iv) The fee disclosed relates to payments made to Simpsons Solicitors, where Tom Rowe was employed as special counsel, relating to services provided by Simpsons Solicitors. The amount paid is for services provided by Tom Rowe in his capacity as company secretary and Non-executive Director. All services are invoiced on a time spent basis and on normal commercial terms.
(v) Resigned as a director on 17 December 2015.
(vi) Appointed as Chief Finance Officer on 10 October 2016.
(vii) Salary of $475,727 paid to J Conoley includes $135,938 paid to his private company until January 2016 and $339,789 paid through the company's payroll following the change to the terms of engagement in February 2016.

No key management personnel appointed during the period received a payment in consideration for agreeing to hold the position.

Directors' report

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

2015	Short-term employee benefits			Post Employment benefits	Share based payments			
	Salary & fees $	Bonus (incl. variable pay component) $	Non-monetary $	Superannuation $	Options $	Termination Benefits $	Total $	Percentage of remuneration related to performance %
Non-executive Directors								
S Baldwin	87,284	-	-	-	-	-	87,284	-
F Barrault (ii) (iv)	81,536	-	-	-	-	-	81,536	-
D Lewis (iii) (vi)	102,533	-	-	-	-	-	102,533	-
J Conoley (iii) (v)	351,659	-	-	-	-	-	351,659	-
T Rowe (viii)	112,901	-	-	-	-	-	112,901	-
P Montessori (i) (ii) (vii)	157,241	82,356	-	-	9,889	361,752	611,238	-
S Blundell (i) (iii) (ix)	369,524	86,630	2,275	16,163	4,944	-	479,536	-
Group's other Key Management Personnel								
R Arame (i) (ii) (x)	276,956	128,763	-	38,777	2,967	-	447,463	29%
J Hume (i) (iii)	259,369	-	1,574	-	19,918	-	280,861	-
P Green (i) (iii) (xi)	16,985	-	393	732	-	-	18,110	-
P Gagliardi (i) (ii) (xii)	65,957	-	-	-	-	-	65,957	-
Total	1,881,945	297,749	4,242	55,672	37,718	361,752	2,639,078	-

(i) Key management personnel are remunerated on a salary package basis that includes an appropriate portion that is a variable component which is dependent on Group's performance. Variable pay components are confirmed based on achievement of customers' orders or earnings before interest, tax, depreciation and amortisation targets established during the financial year. 100% of the variable compensation plan bonus was forfeited in the current year for eligible participants in the corporate earnings plan, being S Blundell, P Montessori, P Gagliardi, J Hume and P Green. In addition, a "retention bonus" arrangement was approved by the board of directors for S Blundell and P Montessori which comprised for each, five quarterly payments of $100,000 commencing 1 May 2014, subject to continuing employee status at each payment date. The retention bonus expense for the financial year ended 31 October 2015 has been recognised based on a time proportionate graded basis.

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

(iii) Paid in GBP and subject to foreign exchange fluctuations at Group level.

(iv) Resigned as non-executive director on 29 June 2015.

(v) Appointed Executive Chairman on 20 April 2015.

(vi) Resigned as Chairman on 20 April 2015, and resigned as non-executive director effective on 30 June 2015.

(vii) Resigned as a Director on 2 March 2015. Termination payment was made in accordance with a Deed of Release.

(viii) The fee disclosed relates to payments made to Simpsons Solicitors, where Tom Rowe is employed as special counsel, relating to services provided by Simpsons Solicitors. The amount paid includes services provided by Tom Rowe in his capacity as company secretary and Non-executive Director as well other legal services provided by Simpsons Solicitors. All services are invoiced on a time spent basis and on normal commercial terms.

(ix) Resigned as Chief Operations Officer on 1 September 2015. Resigned as a director on 17 December 2015.

(x) Resigned as Chief Sales Officer on 12 September 2015.

(xi) Appointed as Vice President Finance on 1 October 2015. Remuneration disclosed relates to post appointment period only as key management personnel.

(xii) Appointed as Chief Operations Officer on 10 August 2015. Remuneration disclosed relates to post appointment period only as key management personnel.

(xiii) No key management personnel appointed during the period received a payment in consideration for agreeing to hold the position.

Directors' report

Directors' shareholdings

The following table sets out each director's relevant interest in shares of the Company or a related body corporate as at the end of the financial year.

	Balance at 1 November No.	Received on exercise of options No.	Net other change No.	Balance at 31 October No.
Year to 31 October 2016				
Stephen Blundell	-	-	-	-
Stephen Baldwin	932,600	-	233,150	1,165,750
John Conoley	-	-	1,900,411	1,900,411
Tom Rowe	-	-	-	-
Year to 31 October 2015				
Stephen Blundell	-	-	-	-
Francois Barrault	500,000	-	(500,000)	-
Stephen Baldwin	932,600	-	-	932,600
John Conoley	-	-	-	-
Duncan Lewis	-	-	-	-
Tom Rowe	-	-	-	-

Share-based payments granted as compensation

During the financial year, the following share-based payment arrangements were in existence.

Options series	Grant date	Expiry date	Exercise price	Grant date fair value
Issued 14 May 2012 (i)	14-May-12	2017	$0.36000	$0.11
Issued 11 Feb 2013 (ii)	11-Feb-13	2017	$0.36000	$0.26
Issued 01 Jul 2013 (iii)	01-Jul-13	2018	$0.36000	$0.24
Issued 07 Apr 2016 (iv)	07-Apr-16	2021	$0.21000	$0.0468
Issued 08 Aug 2016 (v)	08-Aug-16	2021	$0.21000	$0.0383
Issued 08 Aug 2016 (vi)	08-Aug-16	2021	$0.21000	$0.0338

(i) The options in this series vest 2 years from the date of issue and expire on the 5 year anniversary of the date of issue.

(ii) Options issued in this series vested fully on 21 December 2014 and expire on 21 December 2017.

(iii) Options issued in this series vested as to one half on 10 June 2014 and the balance on 10 June 2015 and expire on 10 June 2018.

(iv) Options issued in this series are executive options which vest on 14 March 2018 and expire on 14 March 2021.

(v) Options issued in this series are executive options which vest on 08 August 2018 and expire on 08 August 2021.

(vi) Options issued in this series are employee options which vest on 08 August 2018 and expire on 08 august 2021.

There has been no alteration of the terms and conditions of the above share based payment arrangements since the grant date. There have been variations to the expiry date following the resignation or termination of employment of some option holders, in accordance with the rules of the scheme.

Directors' report

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

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

A total of 981,945 options granted to key management personnel lapsed during the year (2015: nil). No options vested since the end of the year (2015: nil).

	Balance at 1 November No.	Granted as compen-sation No.	Exercised No.	Net other change No.	Balance at 31 October No.	Balance vested at 31 October No.	Vested but not exercisable No.	Vested and exercisable at report date No.	Vested during the year No.
Year to 31 October 2016									
J Conoley	-	5,000,000	-	-	5,000,000	-	-	-	-
J Hume	1,000,000	1,650,000	-	-	2,650,000	1,000,000	-	1,000,000	-
P Gagliardi	-	2,100,000	-	-	2,100,000	-	-	-	-
R Arame	350,000	-	-	(350,000)	-	-	-	-	-
S Blundell	631,945	-	-	(631,945)	-	-	-	-	-
P Montessori	1,250,000	-	-	-	1,250,000	1,250,000	-	1,250,000	-
P Green (i)	250,000	650,000	-	-	900,000	250,000	-	250,000	-

	Balance at 1 November No.	Granted as compen-sation No.	Exercised No.	Net other change No.	Balance at 31 October No.	Balance vested at 31 October No.	Vested but not exercisable No.	Vested and exercisable at report date No.	Vested during the year No.
Year to 31 October 2015									
J Hume	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	450,000
R Arame	1,150,000	-	800,000		350,000	350,000	-	350,000	150,000
S Blundell	631,945	-	-		631,945	631,945	-	631,945	250,000
P Montessori	1,250,000	-	-		1,250,000	1,250,000	-	1,250,000	500,000
P Green (i)	-	-	-	250,000	250,000	250,000	-	250,000	-

(i) Appointed VP Finance on 1 October 2015.

Each executive share plan option converts into one ordinary share of eServGlobal Limited when the option is exercised and the exercise price paid. When options are issued, no amounts are paid or payable by the recipient of the option (Refer Note 6). Options may be exercised at any time from the date of vesting to the date of expiry.

No options were exercised during the year and 981,945 options lapsed during the year.

The following table discloses the number and value of options granted and exercised during the financial year in relation to options granted to key management personnel as part of their remuneration:

Name	Number of options granted	Value of options granted $	Number of options exercised	Value of options exercised $
J Conoley	5,000,000	217,000	-	-
J Hume	1,650,000	55,770	-	-
P Gagliardi	2,100,000	70,980	-	-
P Green	650,000	21,970	-	-

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

On behalf of the Board

John Conoley
Chairman
31 January 2017

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

31 January 2017

Dear Board Members

eServGlobal Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of eServGlobal Limited.

As lead audit partner for the audit of the financial statements of eServGlobal Limited for the financial year ended 31 October 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Report
to the Members of eServGlobal Limited

Report on the Financial Report

We have audited the accompanying financial report of eServGlobal Limited, which comprises the statement of financial position as at 31 October 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 70.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Deloitte.

Opinion

In our opinion:

(a) the financial report of eServGlobal Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 October 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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

Material Uncertainty Regarding Going Concern

Without modifying our opinion, we draw your attention to Note 1(v) Going Concern in the financial report which indicates that the consolidated entity incurred a loss after tax of $24.652 million and had net cash outflows from operations of $12.046 million during the year ended 31 October 2016. These conditions, along with the matters set forth in Note 1(v) Going Concern, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity and the company to continue as going concerns and therefore, they may be unable to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 31 October 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of eServGlobal Limited for the year ended 31 October 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 31 January 2017

Directors' declaration

The directors declare that:

(a) based on the matters set out in Note 1(v), in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

John Conoley
Chairman

31 January 2017

Consolidated statement of profit or loss and other comprehensive loss for the financial year ended 31 October 2016

	Note	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Revenue	3	21,577	25,866
Cost of sales		(15,490)	(20,608)
Gross profit		6,087	5,258
Fair value gain on derivative financial liability	2	-	1,280
Foreign exchange gain	2	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	26	(4,638)	(3,831)
Loss before interest expense, tax, depreciation, amortisation and goodwill impairment		(10,974)	(22,871)
Amortisation expense	2	(2,970)	(1,883)
Depreciation expense	2	(87)	(137)
Impairment of goodwill	13	-	(4,002)
Loss before interest expense and tax		(14,031)	(28,893)
Finance cost	2	(7,115)	(1,356)
Loss before tax	2	**(21,146)**	**(30,249)**
Income tax expense	4	(596)	(2,125)
Loss for the year		**(21,742)**	**(32,374)**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations (nil tax impact)		(2,910)	4,297
Total comprehensive loss for the year		**(24,652)**	**(28,077)**
(Loss)/Profit attributable to:			
Equity holders of the parent		(21,938)	(32,540)
Non-controlling interest		196	166
		(21,742)	**(32,374)**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(24,813)	(28,265)
Non-controlling interest		161	188
		(24,652)	**(28,077)**
Loss per share:			
Basic (cents per share)	22	**(6.0)**	**(12.3)**
Diluted (cents per share)	22	**(6.0)**	**(12.3)**

Notes to the financial statements are included on pages 25 to 70

Consolidated statement of financial position as at 31 October 2016

	Note	31 October 2016 $'000	31 October 2015 $'000
Current Assets			
Cash and cash equivalents	29(a)	9,375	4,976
Trade receivables and work in progress	8	14,939	21,586
Inventories	10	72	66
Current tax assets	4	817	107
Other current assets	11	3,037	8,160
Total Current Assets		28,240	34,895
Non-Current Assets			
Investment in associate	26	24,986	31,473
Property, plant and equipment	12	32	84
Trade receivables	8	1,596	-
Deferred tax assets	4	1,062	976
Other intangible assets – capitalised software development	14	5,598	6,939
Other non-current assets	11	-	3,456
Total Non-Current Assets		33,274	42,928
Total Assets		61,514	77,823
Current Liabilities			
Trade and other payables	15	11,488	19,619
Borrowings	16	-	3,000
Current tax payables	4	280	235
Provisions	17	1,009	1,380
Deferred Revenue		1,692	1,286
Total Current Liabilities		14,469	25,520
Non-Current Liabilities			
Borrowings	16	11,759	16,531
Other financial liabilities	18	-	2,058
Provisions	17	890	943
Total Non-Current Liabilities		12,649	19,532
Total Liabilities		27,118	45,052
Net Assets		34,396	32,771
Equity			
Issued capital	19	142,276	116,074
Reserves	20	(2,626)	174
Accumulated Losses	21	(105,827)	(83,889)
Parent entity interest		33,823	32,359
Non-controlling interest		573	412
Total Equity		34,396	32,771

Notes to the financial statements are included on pages 25 to 70

Consolidated statement of changes in equity for the financial year ended 31 October 2016

	Issued Capital $'000	Foreign Currency Translation Reserve $'000	Equity-settled benefits Reserve $'000	Retained Earnings (Accumulated Losses) $'000	Attributable to owners of the parent $'000	Non-controlling Interest $'000	Total $'000
Consolidated							
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)
Other comprehensive income (loss) for the year, net of income tax							
Exchange differences arising on translation of foreign operations	-	(2,875)	-	-	(2,875)	(35)	(2,910)
Total comprehensive loss for the year	-	(2,875)	-	(21,938)	(24,813)	161	(24,652)
Issue of new shares (Note 19)	26,202	-	-	-	26,202	-	26,202
Equity settled payments (Note 20)	-	-	75	-	75	-	75
Balance at 31 October 2016	142,276	(5,666)	3,040	(105,827)	33,823	573	34,396
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)
Other comprehensive income (loss) for the year, net of income tax							
Exchange differences arising on translation of foreign operations	-	4,275	-	-	4,275	22	4,297
Total comprehensive loss for the year	-	4,275	-	(32,540)	(28,265)	188	(28,077)
Issue of new shares (Note 19)	5,500	-	-	-	5,500	-	5,500
Equity settled payments (Note 20)	-	-	54	-	54	-	54
Balance at 31 October 2015	116,074	(2,791)	2,965	(83,889)	32,359	412	32,771

Notes to the financial statements are included on pages 25 to 70

Consolidated statement of cash flows for the financial year ended 31 October 2016

	Note	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Cash Flows from Operating Activities			
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	29(b)	(12,046)	(15,704)
Cash Flows From Investing Activities			
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)
Cash Flows From Financing Activities			
Proceeds from issue of shares	19	19,609	5,788
Payment for share issue costs	19	(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
Net Increase/(Decrease) In Cash and Cash Equivalents		5,465	982
Cash At The Beginning Of The Financial Year		4,976	3,679
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,066)	315
Cash and Cash Equivalents At The End Of The Financial Year	29(a)	9,375	4,976

Notes to the financial statements are included on pages 25 to 70

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements include the consolidated financial statements of the Group, comprising eServGlobal Limited (the Company/ Parent) and the entities it controlled at the end of, or during, the year. For the purposes of preparing the consolidated financial statements the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (‘A-IFRS’). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorised for issue by the directors on 31 January 2017.

A description of the nature of the Group’s operations and its principal activities are included in the directors’ report, which is not part of the financial statements.

Basis of preparation

The financial statements have been prepared on the historical cost basis, unless otherwise stated below. Historical cost is based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors’ Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with this Corporations Instrument amounts in the directors’ report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, deposits held at call with banks and financial institutions, investments in money market instruments with original maturities of three months or less from the date of acquisition, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(b) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

For defined benefit retirement plans, the cost of providing benefits is determined by way of actuarial valuations being carried out at the end of each annual reporting period. Remeasurement is reflected in the statement of financial position with the charge or credit recognised in other comprehensive income.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) *Financial assets*

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

(d) Financial instruments issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Other financial liabilities

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

Derecognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Financial instruments issued by the Group (continued)

Derivative financial liabilities

Equity-settled options denominated in a foreign currency are recognised as derivative financial instruments based on the substance of the contractual arrangement.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group did not have any hedging relationships in the current or prior year.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Trade payables

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

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income (loss) and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income (loss) and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income (loss).

(g) Goodwill

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

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(h) Impairment of assets

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

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

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

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

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

(i) Income tax

Current tax

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax for the year
Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited to other comprehensive income (loss) or directly to equity, in which case the deferred tax is also recognised in other comprehensive income (loss) or directly in equity. Where it arises from the initial accounting for a business combination it is taken into account in the determination of goodwill.

(j) Inventories

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

(k) Leases

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

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(l) Intangible assets

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

The expenditure capitalised includes cost of materials, direct labour and a proportion of directly attributable overheads. Other development expenditure is recognised in profit or loss as an expense as and when incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(m) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(m) Basis of consolidation (continued)

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of the assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 “Business Combinations” are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 “Non-current Assets Held for Sale and Discontinued Operations”, which are recognised and measured at fair value less costs to sell. Acquisition related costs are recognised in profit or loss as incurred.

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

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

(n) Property, plant and equipment

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(o) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits expected to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits expected to be received.

(p) Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1. **SUMMARY OF ACCOUNTING POLICIES (continued)**

(q) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods and Licences
Revenue from the sale of goods and licences is recognised when the Group has transferred significant risks and rewards of ownership and control over the goods or licences to the buyer; the amount of revenue can be reliably measured; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods or licences sold; and it is probable that the associated economic benefit will flow to the Group.

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

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

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

Revenue from Support, Maintenance and Facilities Management Agreements
Revenue from support and maintenance contracts is recognised on a straight line basis over the contract period.

Multiple element contracts
Revenue from multiple element contracts is allocated and recognised based on the relative fair value of the respective elements, generally as stipulated in the contractual terms.

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

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

(r) Share-based payments
Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of either a Black-Scholes or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

Notes to the Financial Statements for the financial year ended 31 October 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(s) Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Notes to the Financial Statements for the financial year ended 31 October 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(s) Investments in associates (continued)

When the group transacts with the associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(t) Critical accounting judgments and key sources of estimation uncertainty

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

The Group assesses goodwill impairment at each reporting date. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates described in Note 13. In the prior year the full carrying value of goodwill was assessed as being non-recoverable and an impairment loss of $4.002 million was recognised in profit or loss. Refer to Note 13 for further details.

Revenue recognition

Revenue in relation to the supply of custom designed solutions and the provision of licence installation services is recognised on each project by reference to the stage of completion of the project. The method of calculating the percentage completion of the project involves significant judgement based on assessing future project costs (time and materials) and profitability of each project. The information used to forecast these costs is based on historical experience and other relevant data on a customer by customer basis.

Judgement is also required in assessing when the Group has transferred to the buyer significant risks and rewards of ownership of the goods, and for 'multiple element contracts' in assessing the relative fair value of the respective elements. Generally fair value is the amount reflected for each element in the contract.

Unused tax losses

The recognition of unused tax losses as a deferred tax asset requires estimation and judgement of the availability of future taxable profits and compliance with the relevant tax legislations. In the current year the directors determined that deferred tax assets should not be recognised on the year's losses.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(t) Critical accounting judgments and key sources of estimation uncertainty (continued)

Recoverability of internally generated intangible asset
An intangible asset arising from development expenditure on an internal project is recognised only when the consolidated entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development, and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project commencing from the commercial release of the project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Based on the directors' assessment there is no evidence of impairment in the carrying value of internally generated intangible assets at year end.

Recoverability of investment in associate
The Group assesses its associate investment carrying value for indications of impairment at each reporting date. Where an impairment trigger exists the recoverable amount of the investment is determined. This determination may include value-in-use calculations which incorporate a number of key estimates which are subject to judgment and estimation uncertainty. Based on an independent valuation obtained during the prior year, and supported by the absence of any significant changes in market conditions, and the tracking of the overall performance and prospects of the HomeSend entity, no impairment indicators were considered to exist at year end.

Recoverability of trade receivables and work in progress
The Group operates in geographical jurisdictions where delays are frequently encountered in the receipt of invoiced receivables due to banking and other regulatory issues, and where political instability and other factors can cause delays in provision of contractual services to customers. This can lead to high levels of receivables and work in progress relative to the Group's operating revenues. In consideration of these factors, which are frequently outside of the direct control of the Group, significant judgement is required in assessing the recoverability of trade receivables and work in progress and in assessing requirements for impairment provisioning against these balances.

Based on a detailed assessment by management, an impairment expense on trade debtors of $0.884 million (2015: $4.624 million) and on work in progress of $1.404 million (2015: $2.569 million) was recognised in profit or loss in the current year.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(u) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 October 2016. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards and interpretations (to the extent relevant to the Group).

At the date of authorisation of the financial statements, the Standards and Interpretations listed below and applicable to the Group were issued but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	31 October 2019
AASB 15 ‘Revenue from Contracts with Customers’ and the relevant amending Standards	1 January 2018	31 October 2019
AASB 16 ‘Leases’	1 January 2019	31 October 2020

(v) Going Concern

The consolidated statement of profit or loss and other comprehensive loss for the financial year ended 31 October 2016 reflects a loss after tax of $21.742 million, and the consolidated statement of cash flows reflects net cash outflows from operations of $12.046 million. The Directors have reviewed a cash flow forecast prepared by management for the period through to 31 January 2018. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period, and on this basis the Directors have prepared the financial statements on the going concern basis.

The cash flow forecast is predicated on timely conversion of work in progress and collection of trade receivables balances, and the Group achieving its anticipated rate of conversion of sales pipeline opportunities over the forecast period. The Directors believe that the actions undertaken during the 2016 financial year to re-align the core business operations will support achieving these outcomes.

If the Group is unable to generate its expected levels and timing of cash flows through to 31 January 2018, it is likely that additional capital and/or alternative funding will need to be secured. In the absence of such additional funding, significant uncertainty would exist as to whether the Group and the Parent entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group and the Parent entity not continue as going concerns.

2. LOSS BEFORE TAX

	Consolidated	
	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Loss before tax has been arrived at after charging (crediting) the following:		
Other gains and losses:		
Net foreign exchange (gain)/ loss	(3,621)	(883)
Fair value gain on derivative financial liability	-	(1,280)
Total other gains and losses	(3,621)	(2,163)
Finance costs:		
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	453	136
- Debt restructure fees	3,250	-
- Loss on extinguishment of borrowings	1,004	-
Total finance costs	7,115	1,356
Depreciation of non-current assets:		
Office furniture and fittings	35	31
Plant and equipment	52	106
Total depreciation of non-current assets	87	137
Amortisation of intangible assets:		
Software development costs	2,970	1,883
Operating lease rental expenses:		
Minimum lease payments	553	1,156
Impairment recognised on goodwill (Note 13)	-	4,002
Impairment/(write back) recognised on trade receivables (Note 8)	884	4,624
Impairment recognised on work in progress (Note 8)	1,404	2,569
Employee benefit expense:		
Contributions to defined contribution plans	-	16
Other employee benefits	18,637	21,224
Equity settled share-based payments	75	54
Total employee benefits expense	18,712	21,294

		Consolidated	
		Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
3.	**REVENUE**		
	Revenue from continuing operations consisted of the following items:		
	Revenue from the sale of goods and Licences	9,011	9,968
	Revenue from the rendering of services	12,566	15,898
	Total revenue from continuing operations	21,577	25,866

		Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
4.	**INCOME TAXES**		
	(a) Income tax recognised in profit/(loss)		
	Tax (benefit)/expense comprises:		
	Current tax (benefit)/expense	770	626
	Adjustments recognised in the current year in relation to the current tax of prior years	(88)	153
	Deferred tax (income)/expense relating to the origination and reversal of temporary differences and tax credits	(86)	1,346
	Income tax expense	596	2,125
	The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax (benefit)/expense in the financial statements as follows:		
	Profit/(loss) from operations	(21,146)	(30,249)
	Income tax expense/ (benefit) calculated at 30%	(6,344)	(9,075)
	Non-deductible expenses	301	2,215
	Foreign withholding tax credits not utilised	417	312
	Deferred tax assets not recognised	6,580	9,002
	Deferred tax asset written off	-	1,346
	Effect of different tax rate in foreign operations	(184)	(1,828)
	Under/(over) provision of income tax in previous year	(174)	153
	Income tax expense	596	2,125

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

No income tax was recognised directly in equity or in other comprehensive income (loss) during the financial year.

4. INCOME TAXES (continued)

	Consolidated	
	31 October 2016 $'000	31 October 2015 $'000
(b) Current tax assets and liabilities		
Current tax assets:		
Tax refund receivable	817	107
Current tax payables:		
Income tax payable	280	235

Deferred tax balances

Deferred tax assets arise from the following:

2016	Consolidated Opening balance $'000	Reclassified $'000	(Charged)/ credited to profit or loss $'000	Closing balance $'000
Deferred tax assets:				
Research & development tax credits	326	-	51	377
Foreign tax credits and other tax offsets	650	-	35	685
	976	-	86	1,062

2015	Consolidated Opening balance $'000	Reclassified $'000	(Charged)/ credited to profit or loss $'000	Closing balance $'000
Deferred tax assets:				
Tax losses – revenue (i)	990	-	(990)	-
Research & development tax credits	445	(119)	-	326
Foreign tax credits and other tax offsets	266	740	(356)	650
	1,701	621	(1,346)	976

(i) During the prior year deferred tax asset totalling $0.990 million which was previously recognised in respect of unused tax losses was assessed as being non-recoverable and was accordingly charged against income tax expense.

The benefit of tax losses which have not been recognised as a deferred tax asset due to non-satisfaction of the probability of the recoupment criteria totalled $37.7m at year end (2015: $31.1m).

4. INCOME TAXES (continued)

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is eServGlobal Limited. The members of the tax-consolidated group are eServGlobal (NZ) Pty Limited and eServGlobal Aust Pty Limited.

Nature of tax funding arrangements and tax sharing agreements

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

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

5. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation policy

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

The aggregate compensation made to key management personnel of the Group is set out as follows:

	Consolidated	
	Year Ended 31 October 2016 $	Year Ended 31 October 2015 $
Short-term employee benefits	1,520,603	2,183,936
Post-employment benefits	17,715	55,672
Termination benefits	-	361,752
Share-based payments	67,093	37,718
	1,605,411	2,639,078

6. SHARE BASED PAYMENTS

Executive and Employee Equity-Settled Share Based Payments

The Group has an ownership-based remuneration scheme for directors, key management personnel and employees of the Group. In accordance with the provisions of the scheme, directors and employees may be granted options to acquire ordinary shares in the Company. The vesting of any share options is not dependent on any performance criteria, however, is dependent on a period of service relative to the vesting dates.

Under the eServGlobal Employee Share Option Plan, established 4 August 2000 to assist in the attraction, retention and motivation of employees and Directors of the Company and its related corporate bodies, as at 31 October 2016, certain key management personnel and employees (past and present) are entitled to purchase an aggregate of 15,140,000 (2015: 6,771,945) ordinary shares of the entity at an average exercise price of $0.246 (2015: $0.36) per ordinary share. At 31 October 2016, 3,590,000 options had vested (31 October 2015: 6,771,945). The options may be exercised at various times up until 08 August 2021. The holders of such options do not have the right, by virtue of the option to participate in any share issue or interest issue of any other corporate body or scheme, and do not participate in any dividends declared.

During the financial year, the Company issued 11,550,000 options under its executive and employee share option plan (2015: nil).

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

Option Series	Grant Date	Expiry Date	Exercise Price $	Fair value at grant date	Number Vested at year end	Contractual life at year end (days)
Issued 14 May 2012 (i)	14-May-12	2017	$0.36	$0.11	1,950,000	194
Issued 11 Feb 2013 (ii)	11-Feb-13	2017	$0.36	$0.26	1,000,000	415
Issued 01 Jul 2013 (iii)	01-Jul-13	2018	$0.36	$0.24	640,000	586
Issued 07 Apr 2016 (iv)	07-Apr-16	2021	$0.21	$0.0468	Nil	1,594
Issued 08 Aug 2016 (v)	08-Aug-16	2021	$0.21	$0.0383	Nil	1,741
Issued 08 Aug 2016 (vi)	08-Aug-16	2021	$0.21	$0.0338	Nil	1,741

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

(i) Options issued in this series vest fully on the second anniversary date from the date of issue and expire five years from the date of issue.
(ii) Options issued in these series vested fully on 21 December 2014 and expire on 21 December 2017.
(iii) Options issued in this series vested as to one half on 10 June 2014 and the balance on 10 June 2015 and expire on 10 June 2018.
(iv) Options issued in this series are executive options which vest on 14 March 2018 and expire on 14 March 2021.
(v) Options issued in this series are executive options which vest on 08 August 2018 and expire on 08 August 2021.
(vi) Options issued in this series are employee options which vest on 08 August 2018 and expire on 08 august 2021.

6. SHARE BASED PAYMENTS (continued)

The fair value of the options were derived by an appropriately qualified expert using the Black-Scholes model. Expected volatility is based on the historical share price volatility over the past 12 months. The risk-free rate is sourced from the Reserve Bank of Australia.

Key inputs into the models for the series of options:

Issue Date	Share price at grant date	Risk free rate of return to expiry (p.a.)	Years to expiration/ exercise	Exercise price	Volatility
7 Apr 2016	0.108	2.05%	4.94	0.21	90%
8 Aug 2016	0.086	1.58%	5	0.21	100%
8 Aug 2016	0.086	1.58%	5	0.21	100%

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

	31 October 2016		31 October 2015	
	Number of Options	Weighted average exercise price $	Number of Options	Weighted average exercise price $
Balance at the beginning of the financial year	6,771,945	0.360	7,571,945	0.360
Granted during the year	11,550,000	0.210	-	-
Exercised during the year	-	-	(800,000)	0.360
Expired/ lapsed/ cancelled during the year	(3,181,945)	0.360	-	-
Balance at the end of the financial year	15,140,000	0.246	6,771,945	0.360
Exercisable at the end of the financial year	3,590,000	0.360	6,771,945	0.360

	Consolidated	
	Year Ended 31 October 2016 $	Year Ended 31 October 2015 $
7. REMUNERATION OF AUDITORS		
Auditor of the Parent Entity		
Auditing or review of the financial report	129,000	139,000
	129,000	139,000
Other Auditors		
Auditing or review of the financial report	126,096	153,303
Other services – Taxation	16,922	27,601
	143,018	180,904
	272,018	319,904

The auditor of eServGlobal Limited is Deloitte Touche Tohmatsu in Australia and the Other Auditors are all affiliated firms of Deloitte Touche Tohmatsu. Fees paid to other auditors are charged in respective foreign currencies and are subject to exchange rate fluctuations.

Notes to the Financial Statements for the financial year ended 31 October 2016

	31 October 2016 $'000	31 October 2015 $'000
8. TRADE RECEIVABLES AND WORK IN PROGRESS		
(a) Current trade receivables and work in progress		
Trade receivables (i)	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) Non-current trade receivables		
Trade receivables	1,596	-

(i) The average credit period on sales of goods and rendering of services is 60 – 90 days (2015: 60 – 90 days). Historically, the Group has not charged interest on overdue receivables, although customer contractual terms include the ability to do this. The Group recognises an allowance for debts whose collectability is considered doubtful. Objective evidence is determined by reference to knowledge of disputes at the reporting date, where applicable. Other relevant factors considered include political or regulatory issues in the geographical location of the customer, as well as any change in the credit quality of the customer from the date credit was initially granted up to the reporting date. Before accepting any new customers, the Group obtains, where considered necessary, third party references to assess the potential customer's credit worthiness. The majority of the Group's outstanding trade receivables consist of large Telecommunication companies and are considered high quality creditworthy customers.

Included in the Group's trade receivable balance are debtors with a carrying amount of $1.7 million (2015: $7.3 million) (see below for aged analysis) which are past due at the reporting date for which the Group has not provided an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average days overdue for these receivables is 59 days (2015: 136 days).

	31 October 2016 $'000	31 October 2015 $'000
Ageing of past due but not impaired		
By up to 30 days	1,119	934
30 - 90 days	128	1,350
90 - 120 days	6	1
120 + days (*)	405	4,995
	1,658	7,280

(*) It is noted that the aged 120 + days balance for the prior year included a single customer totalling $2.899 million. Against this balance were payable amounts owing to the same customer totalling $2.493 million which were included in trade creditors and accruals at 31 October 2015 balance date.

Notes to the Financial Statements for the financial year ended 31 October 2016

8. TRADE RECEIVABLES AND WORK IN PROGRESS (continued)	31 October 2016 $'000	31 October 2015 $'000
Balance at the beginning of the financial year	5,514	890
Impairment (reduction)/losses recognised on receivables	884	4,624
Write off of impaired receivables	(2,665)	-
Balance at the end of the financial year	3,733	5,514

The ageing of all impaired receivables is 120+ days (2015: 120+ days).

9. WORK IN PROGRESS AND DEFERRED INCOME	31 October 2016 $'000	31 October 2015 $'000
Contract work in progress	23,250	31,421
Progress billings and advances received	(14,985)	(22,636)
	8,265	8,785
Recognised and included in the financial statements:		
Work in progress (i) :		
Current (Note 8)	9,957	10,071
Deferred income:		
Current	(1,692)	(1,286)
	8,265	8,785

(i) Net of provision for non-recoverability and losses totalling $4.766 million (2015: $3.362 million).

10. CURRENT INVENTORIES	31 October 2016 $'000	31 October 2015 $'000
Finished goods	72	66

Notes to the Financial Statements for the financial year ended 31 October 2016

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

(i) Deferred sales proceeds held in escrow, which related to the sale of HomeSend business to the associate Company HomeSend SRCL on 3 April 2014, were received by the Company 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 16 for details.

The total unamortised facility costs have been written off as a finance cost in FY 2016 as a result of the extinguishment and derecognition of the existing loan.

(iii) Other current assets include goods and services tax receivable of $0.644 million (2015: $0.554 million). The prior year balance has been reclassified from Trade and Other Receivables to Other Assets.

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Office furniture and fittings $'000	Plant and equipment $'000	Total $'000
Gross carrying amount – at cost			
Balance at 1 November 2014	484	4,536	5,020
Additions	112	51	163
Disposals and scraps	(427)	(3,725)	(4,152)
Net foreign currency movement	54	398	452
Balance at 31 October 2015	223	1,260	1,483
Additions	8	27	35
Disposals and scraps	(2)	(745)	(747)
Net foreign currency movement	(34)	(73)	(107)
Balance at 31 October 2016	195	469	664
Accumulated depreciation			
Balance at 1 November 2014	483	4,534	5,017
Depreciation expense	31	106	137
Disposals and scraps	(427)	(3,725)	(4,152)
Net foreign currency movement	79	318	397
Balance at 31 October 2015	166	1,233	1,399
Depreciation expense	35	52	87
Disposals and scraps	(2)	(745)	(747)
Net foreign currency movement	(19)	(88)	(107)
Balance at 31 October 2016	180	452	632
Net book value			
As at 31 October 2015	57	27	84
As at 31 October 2016	15	17	32

	Consolidated 31 October 2016 $'000	Consolidated 31 October 2015 $'000
13. GOODWILL		
Gross carrying amount and net book value		
Balance at the beginning of the financial year	14,465	13,241
Additions	-	-
Translation effects of foreign currency exchange movements	-	1,224
Balance at end of financial year	14,465	14,465
Accumulated impairment losses		
Balance at the beginning of the financial year	(14,465)	(9,673)
Impairment	-	(4,002)
Translation effects of foreign currency exchange movements	-	(790)
Balance at end of financial year	(14,465)	(14,465)
Net book value		
At the beginning of the financial year	-	3,568
At the end of the financial year	-	-

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to a single cash generating unit, being the entire operating business, at which level goodwill is monitored for internal management purposes. This is because substantially the entire product list of the consolidated entity is available for sale to, and being sold to, substantially the entire customer base of the consolidated entity.

The recorded carrying value of Goodwill was fully impaired in the prior year as a result of the Group's poor performance in the prior year and the impairment assessment undertaken by management.

14. INTANGIBLES

	Consolidated		
	Software acquired $'000	Software development $'000	Total $'000
Gross carrying amount			
Balance at 1 November 2014	-	5,443	5,443
Internally developed	-	2,820	2,820
Effects of foreign currency exchange movements	-	593	593
Balance at 31 October 2015	-	8,856	8,856
Acquired	592	-	592
Internally developed	-	1,549	1,549
Effects of foreign currency exchange movements	(19)	(539)	(558)
Balance at 31 October 2016	573	9,866	10,439
Accumulated amortisation and impairment			
Balance at 1 November 2014	-	-	-
Amortisation expense	-	(1,883)	(1,883)
Effects of foreign currency exchange movements	-	(34)	(34)
Balance at 31 October 2015	-	(1,917)	(1,917)
Amortisation expense	(96)	(2,874)	(2,970)
Effects of foreign currency exchange movements	2	44	46
Balance at 31 October 2016	(94)	(4,747)	(4,841)
Net Book Value			
As at 31 October 2015	-	6,939	6,939
As at 31 October 2016	479	5,119	5,598

Significant intangible assets

Software development costs of $5.119 million relate to the transformation of PayMobile 3 for channel sales enablement, and are being amortised over three years on a straight line basis.

Based on the directors' assessment the directors do not consider there is evidence of impairment in the carrying value of these assets at year end.

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

(i) The average credit period on purchases of goods is 45 days (2015: 45 days). No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.
(ii) 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.

The directors consider that the carrying amount of trade payables approximates their fair value.

	Consolidated 31 October 2016 $'000	Consolidated 31 October 2015 $'000
16. BORROWINGS		
Interest bearing loans (secured) – at amortised cost		
Current (a)	-	3,000
Non-current (b)	11,759	16,531
	11,759	19,531

(a) The National Australia Bank loan of $3 million was repaid in full on 23 March 2016.

(b) Non-current borrowings is from related party shareholders - Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited ("Lenders"). On 6 June 2016, the Company entered into a Deed of Debt and Capital Restructure ("Deed") with its Lenders. 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. A 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. A debt restructure fee of $3.25 million (GBP 1.8 million) was paid to the lenders. The new loan is secured by way of a fixed and floating charge over the total assets and undertakings of the Group and is due for repayment, including accrued interest, on 30 June 2019.

The Group recognised a loss on extinguishment of $1.004 million as a result of the de-recognition of the existing loans from the Lenders.

(c) Available Facilities

There are no unused facilities as at 31 October 2016 (2015: nil).

17. PROVISIONS

	Employee provisions $'000	Retirement benefit provision (i) $'000	Total $'000
Consolidated			
Balance as at 1 November 2015	1,380	943	2,323
Additional provisions recognised	-	-	-
Utilised during the year	(371)	(53)	(424)
Balance as at 31 October 2016	1,009	890	1,899
Current	1,009	-	1,009
Non-current	-	890	890
Balance as at 31 October 2016	1,009	890	1,899

(i) The retirement benefit provision is a provision for statutory termination obligations due to eligible employees in France who remain employed with the French entity until their statutory retirement date. The amount of the statutory lump sum retirement payment is dependent on the employee's length of service with the Company and their salary on retirement. No entitlement accrues to employees who terminate their employment prior to retirement date. The Group's obligations are unfunded and covered by the recorded provision. The cost of providing the benefit is determined by way of actuarial valuation carried out at the end of each annual reporting period (Refer to Note 1(b)).

	Consolidated 31 October 2016 $'000	Consolidated 31 October 2015 $'000
18. OTHER FINANCIAL LIABILITIES		
Derivative financial liability	-	2,058

The 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, was derecognised upon the cancellation of the options as part of the loan restructure on 6 June 2016. Refer to Note 16 for details.

19. ISSUED CAPITAL	31 October 2016 $'000	31 October 2015 $'000
640,183,996 fully paid ordinary shares (2015: 265,774,052)	142,276	116,074

	31 October 2016		31 October 2015	
	No. '000	$ '000	No. '000	$ '000
Fully Paid Ordinary Shares				
Balance at the beginning of financial year	265,774	116,074	254,974	110,574
Issue of shares under the Company's employee share option plan (Note 6)	-	-	800	288
Issue of new shares in the Company	374,410	27,549	10,000	5,500
Costs of share issue	-	(1,347)	-	(288)
Balance at the end of financial year	640,184	142,276	265,774	116,074

Reconciliation of new shares issued:	31 October 2016 $'000
Cash proceeds from issue of shares	19,609
Borrowings converted to equity (i)	7,940
Total value of new shares issued	27,549
Less: Share issue costs	(1,347)
Net value of share capital issued	26,202

(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 16 for details on debt restructure.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share Options

In accordance with the terms of the executive and employee share option plan as at 31 October 2016, employees are entitled to exercise options granted and thus acquire shares in the Company. Details of the executive and employee share option plan are contained in Note 6 to the financial statements.

		Consolidated	
		31 October 2016 $'000	31 October 2015 $'000
20.	**RESERVES**		
	Foreign currency translation reserve (a)	(5,666)	(2,791)
	Equity-settled benefits reserve (b)	3,040	2,965
		(2,626)	174
	(a) Foreign currency translation reserve		
	Balance at beginning of financial year	(2,791)	(7,066)
	Translation of foreign operations	(2,875)	4,275
	Balance at the end of the financial year	(5,666)	(2,791)

Exchange differences relating to the translation from the functional currency of foreign subsidiaries into Australian dollars, and translation of inter-company monetary items which settlement is neither likely nor planned to occur in the foreseeable future, are recognised in other comprehensive income (loss) and accumulated in the foreign currency translation reserve.

(b) Equity-settled benefits reserve		
Balance at beginning of financial year	2,965	2,911
Employee equity-settled benefits (i)	75	54
Balance at the end of the financial year	3,040	2,965

(i) The employee equity-settled benefits reserve arises on the grant of share options to key management personnel and employees under the executive and employee share option plan. Further information about equity-settled benefits is contained in Note 6 to the financial statements.

21.	ACCUMULATED LOSSES	31 October 2016 $'000	31 October 2015 $'000
	Balance at beginning of the financial year	(83,889)	(51,349)
	Loss for the year attributable to equity holders of the parent	(21,938)	(32,540)
	Balance at end of financial year	(105,827)	(83,889)

	Consolidated	
	Year Ended 31 October 2016	Year Ended 31 October 2015

22. EARNINGS PER SHARE

Basic earnings per share (cents per share)	(6.0)	(12.3)
Diluted earnings per share(cents per share)	(6.0)	(12.3)

Basic earnings per share

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

	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(21,938)	(32,540)

	31 October 2016 No '000	31 October 2015 No '000
Weighted average number of ordinary shares	366,222	263,963

Diluted earnings per share

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

	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(21,938)	(32,540)

	31 October 2016 No '000	31 October 2015 No '000
Weighted average number of ordinary shares and potential ordinary shares (a)	366,222	294,576

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

Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share	366,222	263,963
Shares deemed to be issued for no consideration in respect of share options	-	30,613
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted (loss)/earnings per share	366,222	294,576

No dilution has been included in the current or prior year due to losses incurred.

23. DIVIDENDS

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

24. LEASES

Operating Leases

Leasing arrangements

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

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Consolidated	
	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Non-cancellable operating leases		
No longer than 1 year	512	578
Longer than 1 year and not longer than 5 years	954	1,541
Longer than 5 years	-	11
	1,466	2,130

25. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

	COUNTRY OF INCORPORATION	Ownership Interest and voting power 31 October 2016 %	31 October 2015 %
Parent Entity			
eServGlobal Limited	Australia		
Material Subsidiary			
eServGlobal Holdings SAS	France	100	100
eServGlobal SAS	France	100	100
eServGlobal (NZ) Pty Limited	Australia	100	100
eServGlobal UK Limited	United Kingdom	100	100

The Group's principal operating activities are carried out by eServGlobal SAS which is based in France; its administrative activities are carried out by eServGlobal UK Limited which is based in London; and its ultimate listed holding Company is eServGlobal Limited which is based in Australia. The Group's investment in its associate Homesend SCRL is held by eServGlobal (NZ) Pty Limited.

Notes to the Financial Statements for the financial year ended 31 October 2016

26. INVESTMENT IN ASSOCIATES

Details of the material investment in associates 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%

The associate is accounted for using the equity method in these consolidated financial statements. Refer to Note 1(s).

(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.

Summarised financial information in respect of HomeSend SCRL is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with local Belgium GAAP, adjusted to align with the Australian equivalent to International Financial Reporting Standards and to reflect other required notional equity accounting adjustments.

HomeSend SCRL	31 October 2016 $'000	31 October 2015 $'000
Current assets	15,773	25,637
Non-current assets	64,085	71,361
Current liabilities	(8,469)	(7,075)
Non-current liabilities	-	-
Net assets	71,389	89,923

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Revenue	5,615	3,630
Profit or (loss) from continuing operations	(13,253)	(10,945)
Profit (loss) for the year	(13,253)	(10,945)
Total comprehensive income (loss) for the year	(13,253)	(10,945)
Dividends received from the associate during the year	-	-

Notes to the Financial Statements for the financial year ended 31 October 2016

26. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in HomeSend SCRL recognised in the consolidated financial statements:

	31 October 2016 $'000	31 October 2015 $'000
Net assets of the associate	71,389	89,923
Proportion of the Group's ownership interest in HomeSend SCRL	35%	35%
Carrying amount of the Group's interest in HomeSend SCRL	24,986	31,473

Reconciliation of the carrying amount of the investment in associate:

	31 October 2016 $000	31 October 2015 $000
Opening balance	31,473	27,777
Investment in associate (i)	-	5,412
Share of current period loss of the associate	(4,638)	(3,831)
Effects of foreign currency exchange movements	(1,849)	2,115
Closing balance	24,986	31,473

(i) On 5th October 2015 the Company agreed to invest additional $5.412 million with full voting rights, in the HomeSend joint venture Company so as to maintain its shareholding at 35%.

The Company paid $0.875 million Euros ($1.353 million) on 14th October 2015 and the balance of $2.625 million Euros ($4.059 million) on 3rd April 2016.

27. SEGMENT INFORMATION

The Group operates in a single segment being the provision of telecommunications software solutions to mobile and financial service providers on a global basis. Information reported to the chief operating decision maker (Board of directors) for the purposes of resource allocation and assessment of segment performance focuses on the telecommunication software solution business as a single business unit.

The results and financial position of this single segment are shown in the statement of profit or loss and other comprehensive loss and the statement of financial position respectively.

Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Hardware	1,518	2,210
Licences	7,492	7,758
Services	3,482	6,079
Support	7,375	7,741
Software as a Service	1,710	2,078
Total revenue from continuing operations	21,577	25,866

Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		Non-current assets	
	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Middle East	12,518	13,031	-	-
Asia Pacific	971	4,063	24,700	3,486
Europe	663	1,138	7,512	38,465
Africa	7,405	7,604	-	1
Central and South America	20	30	-	-
Total	21,577	25,866	32,212	41,952

Non-current assets exclude deferred tax assets.

Information about major customers

Included in total revenue is revenue of $5.947 million and $2.588 million which arose from sales to the Group's two largest customers.

28. RELATED PARTY DISCLOSURES

a) Equity Interests in Related Parties

Equity Interests in Controlled Entities

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

b) Key management personnel compensation

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

c) Key management personnel equity holdings

Information on key management personnel interests in shares and options is detailed in the Directors' Report.

d) Non-executive directors option holdings

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

e) Loans from related party shareholders

Refer to details per Note 2, Note 16 and Note 18.

f) Other related party transactions

	Consolidated	
	Year Ended 31 October 2016 $	**Year Ended 31 October 2015** $
Mr Conoley's Director Fees were paid to his private Company up to January 2016 after which he was placed on the Company's payroll	135,938	351,659
Mr Baldwin's Director's Fees, as detailed in the Directors' Report, are paid to his private Company	87,284	87,284
Consulting Fees paid to FDB Partners SPRL, a Company controlled by Francois Barrault (resigned in 2015)	-	23,134

g) Parent Entities

The parent and ultimate parent entity in the Group is eServGlobal Limited.

29. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	9,375	4,976
Bank overdraft	-	-
	9,375	4,976

b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(21,742)	(32,374)
Depreciation of non-current assets	87	137
Amortisation of non-current assets	2,970	1,883
Foreign exchange (gain)/ loss, including changes in foreign currency net assets and liabilities	(4,020)	370
Fair value gain on derivative financial instrument	-	(1,280)
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
(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
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
- Trade receivables, work in progress and other assets	1,938	(4,825)
- Inventories	(6)	106
Increase/(decrease) in liabilities:		
- Trade payables	(1,792)	4,840
- Provisions	(371)	284
- Other liabilities	406	170
Net cash used in operating activities	(12,046)	(15,704)

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

c) Cash balance not available for use

The cash balance not available for use (classified as other current assets) as at 31 October 2015 is $0.444 million (2015: $1.059 million). The cash balance which is not available for use is held as security by the financial institutions in relation to a financial guarantee that has been issued on behalf of the Company.

30. FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

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

b) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. At 31 October 2016 the Group had bank borrowings of $ nil (2015: $ 3.0m), and borrowings from related party shareholders of $11.8m (2015: $16.5m). The Group has no other borrowings (2015: nil) Operating cash flows and advances from borrowings are used to maintain and expand the Group's assets as well as to pay for operating expenses, tax liabilities and software development activities.

c) Financial Risk Management Objectives

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

d) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and changes in market interest rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks from the previous period.

30. FINANCIAL INSTRUMENTS (continued)

e) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise which are recorded in profit or loss. The group may use foreign currency exchange contracts to hedge these risks. No such contracts were entered into during the current year (2015: nil).

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

	Assets		Liabilities	
	31 October 2016 $'000	**31 October 2015 $'000**	**31 October 2016 $'000**	**31 October 2015 $'000**
External Group Exposure (*)				
US Dollars	5,822	6,073	398	548
Euro (Functional currency – Australian Dollars)	56	34	-	20
UK Pounds (Functional currency – Australian Dollars)	-	-	11,804	17,261
Egyptian Pounds	7	43	-	-
Indonesian Rupees	9	66	-	-
Indian Rupees	21	18	-	-
Romanian Lei (RON)	4	5	-	-
UAE Dirham (AED)	22	85	-	-
Brazilian Real	-	9	-	-

(*) Unless otherwise indicated, the functional currency for the above external group exposure is predominantly Euro.

Internal Group Exposure				
Australian Dollars (Functional currency – Euro)	-	-	-	5,376
Euros (Functional currency Australian Dollars)	-	23,950	-	-
UK Pounds (Functional currency Australian Dollars)	11,210	-	-	-

Internal Group exposure relates only to inter-company balances where foreign exchange gains or losses are recognised in the profit or loss.

30. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

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

	Profit or loss	
	Consolidated	
Currency	**31 October 2016**	**31 October 2015**
	$'000	**$'000**
External Group Exposure		
US Dollars	691	736
Euro	6	6
UK Pounds	1,312	1,918
Egyptian Pounds	1	5
Indonesian Rupees	1	7
Indian Rupees	2	2
Romanian Lei (RON)	1	1
UAE Dirham (AED)	2	9
Brazilian Real	-	1
Internal Group Exposure		
Australian Dollars	-	538
Euro	-	2,661
UK Pounds	1,246	-

The sensitivity includes external receivables and payables as well as inter-company balances with foreign operations within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective entity and the balance is expected to be repaid in the foreseeable future.

For assets, a positive number indicates an increase in profit with the functional currency weakening against the respective currency. For a strengthening of the functional currency against the respective currency there would be an equal and opposite impact on the profit, and the amounts above would be negative. For liabilities, the opposite would apply.

In management's opinion, the above sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

In addition, the Group includes certain subsidiaries whose functional currencies are different to the Group's presentation currency. As stated in the Group's Accounting Policies Note 1(f), on consolidation the assets and liabilities of these entities are translated into Australian dollars at exchange rates prevailing on the balance date. The income and expenses of these entities are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The main operating entity outside of Australia is based in France. The Group's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the Euro.

Notes to the Financial Statements for the financial year ended 31 October 2016

30. FINANCIAL INSTRUMENTS (continued)

f) Interest Rate Risk Management
The Group's exposure to interest rate risk at 31 October 2016 is in respect of interest generated on deposits balances invested during the course of the year and interest incurred on variable rate external borrowings. Cash deposits yielded a weighted average interest rate of 0.02% for the financial year (2015: 1.52%), and borrowings were incurred at a weighted average rate of 12.7% for the current financial year (2015: 29%).

Interest rate sensitivity analysis
The Group's sensitivity to interest rates is on surplus cash placed on short-term deposit or drawings on variable rate borrowing facilities. The Group's net sensitivity to interest rate movements is not considered to be material to the Group. The shareholder loan facilities are at a fixed rate of interest and the Group (Refer to Note 16) is therefore not exposed to interest rate sensitivity in respect of this loan.

g) Liquidity Risk Management
Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables
The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and interest cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months – 1 year $'000	1-5 years $'000
Consolidated					
31 October 2016					
Trade payables - Non-interest bearing	-	884	884	-	-
Other payables	-	-	7,834	1,886	-
Borrowings	12.7%	-	-	-	16,168
		884	8,718	1,886	16,168
31 October 2015					
Trade payables - Non-interest bearing	-	2,553	2,555	-	-
Other payables	-	-	10,452	4,059	-
Borrowings	29% (i)	-	-	3,089	20,661
Other financial liabilities	-	-	-	-	2,058
		2,553	13,007	7,148	22,719

(i) This included the effective interest amortisation of the fair value of options issued to Alphagen Volantis Fund Limited and Alphagen Volantis Catalyst Fund Limited. These options were cancelled in the current year.

30. FINANCIAL INSTRUMENTS (continued)

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period based on the earliest date on which the Group can expect to receive payment. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months – 1 year $'000	1-5 years $'000	5+ years $'000
Consolidated						
31 October 2016						
Cash and cash equivalents	0.10%	9,375	-	-	-	-
Deposits - Non-interest bearing	-	-	-	1,888	-	-
Trade receivables - Non-interest bearing	-	1,246	2,217	425	-	-
Trade receivables - interest bearing	15%	-	274	821	2,189	
		10,621	2,491	3,134	2,189	-
31 October 2015						
Cash and cash equivalents	0.04%	4,976	-	-	-	-
Deferred sales proceeds	-	-	-	5,343	-	-
Deposits - Non-interest bearing	-	-	-	1,700	-	-
Trade receivables - Non-interest bearing	-	2,879	5,757	2,879	-	-
		7,855	5,757	9,922	-	-

h) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a relatively small number of closely managed customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable as part of the overall client management process. The carrying amount of the financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

Notes to the Financial Statements for the financial year ended 31 October 2016

30. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurements recognised in the statement of financial position

	Consolidated	
	31 October 2016	31 October 2015
Categories of financial instruments	**$'000**	**$'000**
Financial Assets:		
Cash and cash equivalents	9,375	4,976
Loans and receivables		
Trade receivables – current and non-current	6,578	11,515
Deposits and other assets	1,888	1,700
Deferred sales proceeds	-	5,343
Financial Liabilities:		
Trade payables (at amortised cost)	1,768	5,108
Other payables	9,720	14,511
Borrowings	11,759	19,531
Other financial liabilities	-	2,058

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

None of the Group's other financial assets and financial liabilities are measured at fair value as at 31 October 2016. As at 31 October 2015, derivative financial liability of $2.058 million in relation to share options associated with non-current borrowings were measured at fair value. The derivative financial liability was derecognised upon the cancellation of the options as part of the loan restructure in the current year. Refer to Note 16 and 18.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the Financial Statements for the financial year ended 31 October 2016

31. PARENT ENTITY INFORMATION

(a) Financial position

	31 October 2016 $'000	31 October 2015 $'000
Assets		
Current assets	3,886	3,852
Non-current assets	42,896	51,477
Total assets	46,782	55,329
Liabilities		
Current liabilities	627	3,969
Non-current liabilities	11,759	19,869
Total liabilities	12,386	23,838
Equity		
Issued capital	142,276	116,074
Accumulated losses	(110,926)	(86,268)
Reserves		
Equity-settled benefits	3,040	2,965
Foreign currency translation	6	-
Total equity	34,396	32,771

(b) Financial performance

	Year Ended 31 October 2016 $'000	Year Ended 31 October 2015 $'000
Loss for the year	(24,658)	(28,078)
Other comprehensive income (loss)	-	-
Total comprehensive loss	(24,658)	(28,078)

(c) Guarantees entered into by the parent entity

eServGlobal Limited has not provided any guarantees in relation to any of its subsidiaries.

(d) Contingent liabilities of the parent entity

There are no contingent liabilities for the parent entity.

(e) Commitments for the acquisition of property, plant and equipment by the parent entity

There are no commitments for the acquisition of property, plant and equipment by the parent entity.

Notes to the Financial Statements for the financial year ended 31 October 2016

32. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year through the date of this report 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.

33. ADDITIONAL COMPANY INFORMATION

eServGlobal Limited is a listed public company, incorporated in Australia and operating in Australia, Europe, the Middle East, North Africa, Asia/Pacific and the Americas.

Registered Office

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

Additional Securities Exchange Information as at 27 January 2017

Corporate Governance

The Corporate Governance Statement of the Company may be found at http://eservglobal.com/investors/cgs/

Ordinary share capital

640,183,996 fully paid ordinary shares are held by 1,168 individual shareholders on the Australian Securities Exchange (including the depositary interest holder nominee) and 118 individual depository interest holders on the London Stock Exchange (AIM).

All issued ordinary shares carry one vote per share.

Options

7 individual option holders hold 3,590,000 options at an exercise price of $0.36 per option.

10 individual option holders hold 11,550,000 options at an exercise price of $0.21 per option.

Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully Paid Ordinary Shares Listed on ASX	Depository Interests Listed on LSE (AIM)	$0.36 Options- not listed	$0.21 Options- not listed
1-1,000	153	5	-	-
1,001-5,000	368	8	-	-
5,001-10,000	191	7	-	-
10,001-100,000	367	34	-	2
100,001-Over	89	64	7	8
Total	1,168	118	7	
Holding less than a marketable parcel	429			

Substantial shareholders	**Number**
Henderson Global Investors Ltd	158,690,263
Legal and General Investment Management Plc	88,409,480
Commonwealth Bank of Australia	41,202,192
Blue Lake Partners Pty Ltd	38,505,613

Twenty largest holders of quoted equity securities

Australian Securities Exchange | **London Stock Exchange (AIM)**

Computershare Clearing Pty Ltd holds 472,901,475 ordinary fully paid shares on behalf of the Depositary Interest Holders.

Ordinary Shareholders	Number	% of capital	Depository Interest (DI) Holders	Number	% of DI Holders
UBS NOMINEES PTY LTD	42,710,278	6.67	AURORA NOMINEES LIMITED <2234100>	130,534,280	27.60
CITICORP NOMINEES PTY LIMITED	32,552,103	5.08	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <944287>	86,467,645	18.28
DCM BLUELAKE PARTNERS PTY LTD	11,040,784	1.72	NORTRUST NOMINEES LIMITED <TDS>	58,634,864	12.40
J P MORGAN NOMINEES AUSTRALIA LIMITED	9,400,371	1.47	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <667656>	28,388,902	6.00
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	8,713,623	1.36	W B NOMINEES LIMITED	21,808,569	4.61
BT PORTFOLIO SERVICES LIMITED <MCMANAMEY SUPER FUND A/C>	6,883,317	1.08	NORTRUST NOMINEES LIMITED <SLEND>	15,071,461	3.19
BNP PARIBAS NOMS PTY LTD <DRP>	6,002,531	0.94	BNY (OCS) NOMINEES LIMITED <HIT>	14,040,975	2.97
PAUA PTY LTD <THE PAUA A/C>	4,355,812	0.68	SPREADEX LIMITED	12,480,005	2.64

MR BRENDAN THOMAS BIRTHISTLE	1,904,500	0.30	HANOVER NOMINEES LIMITED <UBS03>	11,041,951	2.33
PATRICK MCGRORY	1,730,426	0.27	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <800757>	10,312,174	2.18
CONNAUGHT CONSULTANTS (FINANCE) PTY LTD <SUPER FUND A/C>	1,432,500	0.22	W B NOMINEES LIMITED <ISAMAX>	8,762,026	1.85
MR JOHN JOSEPH RYAN	1,294,800	0.20	ING BANK N.V. <INGNV9>	7,975,000	1.69
MR STEPHEN JOHN BALDWIN + MRS ANDREA MAREE BALDWIN <THE STEVE BALDWIN SF A/C>	1,062,500	0.17	GOLDMAN SACHS SECURITIES (NOMINEES) LIMITED <ILSEG>	5,216,314	1.10
BNP PARIBAS NOMINEES PTY LTD <COMMERZBANK AG DRP>	1,000,000	0.16	HAREWOOD NOMINEES LIMITED <4153230>	4,548,469	0.96
MR NICHOLAS SEOW LENG GOH	972,950	0.15	TD DIRECT INVESTING NOMINEES (EUROPE) LIMITED <SMKTISAS>	3,963,643	0.84
HONNE INVESTMENTS PTY LIMITED	875,000	0.14	THE BANK OF NEW YORK (NOMINEES) LIMITED	3,834,303	0.81
MR ALAN FRANCIS WYLDE	837,100	0.13	IDEALING NOMINEES LIMITED <IDLISA>	3,447,325	0.73
MR REMI ARAME	800,000	0.12	CREDIT SUISSE CLIENT NOMINEES (UK) LIMITED <D6M5PB>	3,200,000	0.68
MR JAMIE RUSSELL STUART + MRS TANYA CARLENE STUART <STUART FAMILY SF A/C>	600,000	0.09	HSDL NOMINEES LIMITED	2,977,236	0.63
HALLAM DRAINAGE PTY LTD	569,787	0.09	BARCLAYSHARE NOMINEES LIMITED	2,773,216	0.59

Company Secretary
Tom Rowe

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

Share Registry
Computershare Registry Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

Stock Exchange listings
eServGlobal Limited’s ordinary shares are quoted on the Australian Securities Exchange Limited under the ticker “ESV”, and on the London Stock Exchange (AIM) as Depository Interests under the ticker “ESG”.

Date of Annual General Meeting
13 March 2017