



ANNUAL REPORT  
**FY2018**



eServGlobal





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# MESSAGE FROM THE EXECUTIVE CHAIRMAN



**JOHN CONOLEY**  
EXECUTIVE CHAIRMAN



The direction of eServGlobal remained stable in 2018, and during the year we have seen clear evidence of progress on both sides of our business.

## **HomeSend | Cross-border transfer JV**

HomeSend achieved significant milestones throughout the year, particularly evident in the second half. The JV has added account-to-account transactions and business-to-business disbursements, tapping new, large markets and increasing average transaction value by 35%. There are now live Mastercard Send Cross-Border transactions flowing across the hub.

HomeSend has established and validated reach in 60 key destination markets under its current model representing 50% of global trade flows and 70% of global remittances and it aims to increase this reach to cover markets which represented 80% of global trade flow destinations and remittance destinations in 2019. As at the end of December 2018 there were 50 ongoing implementation projects with a combination of both send and receive banking partners.

We believe that HomeSend is increasingly well positioned to provide a true comparable proposition to correspondent banking on a global scale but with lower-cost capability for bank customers whilst significantly improving the quality of that service in both speed and transparency.

HomeSend now appears to be graduating from the start-up phase. During this period of foundation-laying, while critical on the path to success, it has been challenging for investors to grasp the progress. As the JV moves from start-up to commercialisation we will see clearer metrics of progress as we move forward.

Cross-border payments is a multi-trillion dollar market, and a space which has seen ongoing and increasing investor interest.



**eServGlobal | Digital transactions technology**

In our core business we made important strides towards realising the value within the business. We have taken more than 20% of cost out of the business in the last year (commencing FY19 at A\$16M vs A\$20.3M for FY18 ), while maintaining our key customer relationships. In FY18 we recorded a gross profit of A\$3.5M, up from a A\$4.5M loss a year prior. The business remains debt free, with increasing recurring and deferred revenue and a smaller cost base, ensuring a clearer future for this business - either within the Group or externally.

Our flagship technology, PayMobile, is a market-proven solution for two distinct but related markets: electronic recharge for prepaid users and digital wallets.

With over 70% of mobile users worldwide using prepaid plans, there remains an ongoing demand for this mission-critical technology. Industry body, the GSMA predicts the next billion mobile users will be in emerging markets - particularly Africa and Asia. In these markets, there is little demand for contracts - users are looking for an easy prepaid experience, PayMobile allows Telco Operators to provide this.

PayMobile can now be deployed in a virtualized (cloud) environment. Virtualisation is a key feature of 5G, and operators will require technology vendors that are ready for cloud deployments, eServGlobal offers this future-proof approach. We deployed our first PayMobile in a private cloud for a customer in North Africa last year.

**Going forward**

The first quarter of FY19 has seen new contracts secured in our core business and further progress made in the HomeSend JV.

The Board would like to thank our employees who continue to strive for progress each day. We would also like to thank our shareholders for their continued support.

JOHN CONOLEY  
**Executive Chairman**



# BOARD OF DIRECTORS

The directors of eServGlobal Limited submit herewith the financial report for the financial period ended 31 December 2018. During the prior period the Company changed its reporting date from 31 October to 31 December and the prior period comparatives cover the 14-month period ended 31 December 2017

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



**JOHN CONOLEY**

*Executive Chairman, member of the Audit Committee*

John's wide experience spans the software, hardware, IT services, telecommunications and energy markets. He began his career in the IT industry with IBM, 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: Chief Executive Officer of mobile device Company Psion PLC, an international Company listed in the UK. From 28 October 2016 to 19 April 2017, he was a Non-executive Director of London listed human capital management software Company NetDimensions (Holdings) PLC. Since 27 April 2017, he is also Non-Executive Chairman of AIM listed Parity, a professional recruitment and IT services company and in January 2019 also became Non-executive Chairman of Aim listed FireAngel Safety Technology Group PLC.

John was appointed as a Director and a member of the Audit Committee of eServGlobal on 1 May 2013. He was appointed Executive Chairman of eServGlobal on 20 April 2015, and serves on the Board of the HomeSend Joint Venture based in Belgium.



**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, in which he worked closely with the investment community in London, overseeing a high-profile and successful IPO while also driving the financial growth of the company. Previously he has worked in various roles at PwC, latterly within the Corporate Finance Lead Advisory practice.

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 35 years of business experience. He commenced his career with Price Waterhouse (now PwC) 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).

Other current roles include representing one of Australia's larger superannuation funds as a nominee director for three of their investments.

Stephen was appointed to the eServGlobal Board in November 2011 and chairs both the Audit Committee and the Remuneration and Nomination Committee.



**TOM ROWE**

*Company Secretary, Non-executive Director and member of the Remuneration and Nomination Committee*

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.



**JAMIE BROOKE**

*Non-executive Director*

Jamie has over ten years of quoted small cap experience alongside ten years of private equity and venture capital experience. He is an ACA, has a Mathematics degree from Oxford University and an MSC from UCL. Jamie is lead Portfolio Manager for the 1798 Volantis Catalyst Funds I & II and also leads the team's active engagement capability.

Jamie was appointed to the Board in October 2018, he is an employee of Lombard Odier Investment Managers, a significant shareholder in the Company and previously sat on the Board between 2010 and 2013.

## 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 19 April 2017
John Conoley	Parity Group PLC	27 April 2017 to date
John Conoley	FireAngel Safety Technology PLC	January 2019 to date
Jamie Brooke	Oryx International Growth Fund	5 September 2013 to 31 March 2017
Jamie Brooke	NetDimensions Holdings Limited	25 October 2015 to 18 September 2016
Jamie Brooke	Redhall Group PLC	1 July 2014 to date
Jamie Brooke	Flowgroup PLC	20 June 2017 to date
Jamie Brooke	Chapel Down Group PLC	5 October 2013 to date
Jamie Brooke	Internet Fusion Group Limited	1 July 2018 to date

### Company Secretary

Tom Rowe has served as Company Secretary of eServGlobal since 6 April 2011.  
Matt Richardson was appointed as joint Company Secretary on 8 October 2018.

### Principal activities

eServGlobal (AIM:ESG, ASX:ESV) is a pioneering digital financial transactions technology company, enabling financial and telecommunications service providers to create smoother transactions for their customers through deep technical expertise and rapid implementation. Built on the latest technology platforms, eServGlobal offers a range of transaction services including digital wallets, commerce, remittance, recharge, rapid service connection and business analytics. eServGlobal combines more than 30 years' experience, with an agile, future-focused mindset, to align with the requirements of customers and partners around the globe.

Together with Mastercard, eServGlobal is a joint venture partner of the HomeSend global payment hub, enabling cross-border transfer between bank accounts, cards, mobile wallets, 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 4.

The consolidated entity achieved sales revenue for the year of \$11.2 million (2017: \$12.2 million).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was a loss of \$15.2million, inclusive of foreign exchange losses of \$0.08 million (2017: EBITDA loss of \$29.6 million inclusive of foreign exchange loss of \$0.3 million).

Based on a detailed assessment by management, a credit loss allowance on trade receivables of \$0.330 million (2017: \$4.850 million) and a credit loss allowance on contract assets of \$0.688 million (2017: \$8.348 million) were charged to the profit or loss in the current year.

The net result of the consolidated entity for the period to 31 December 2018 was a loss after tax and non-controlling interest for the year of \$19.7 million (2017: loss after tax and non-controlling interest of \$37.2 million). Included in this result was an income tax expense of \$1.3 million (2017: income tax expense of \$0.7 million). Loss per share was 2.1 cents (2017: loss per share 5.5 cents).

The operating cash flow for the period was a net outflow of \$9.9 million (2017: net outflow \$14.6 million). Total cash flow for the period was a net inflow of \$16 million inclusive of net proceeds from the issue of shares of \$31.4 million (2017: net inflow of \$1.8 million inclusive of net proceeds from the issue of shares of \$38.1 million proceeds from borrowings of \$4.3 million and repayment of borrowings of \$16.3 million,). Cash at 31 December 2018 was \$27.4 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 (2017: nil).

## DIRECTORS' REPORT

### Share Options

#### eServGlobal Employee Share Option Plan

The Company has an ownership-based remuneration scheme for executive directors, key management personnel and employees. In accordance with the provisions of the scheme, executive 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 15,000,000 performance options at \$0.16 (£0.09) to the directors and senior management of the entity and its controlled entities (2017: 10,000,000). 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	2,350,000	Ordinary	\$0.21	14 Mar 2021
eServGlobal Limited	5,225,000	Ordinary	\$0.21	08 Aug 2021
eServGlobal Limited	6,000,000	Ordinary	\$0.21	13 Mar 2022
eServGlobal Limited	4,000,000	Ordinary	\$0.21	24 Nov 2022
eServGlobal Limited	15,000,000	Ordinary	\$0.16	31 Oct 2022

During the financial year and up to the date of this report, there were no options exercised and 1,150,000 options expired or lapsed during the year.

#### 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 officers of the Company and of any related body corporate against any liability incurred as a director, secretary or 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

Directors	Board of Directors		Audit Committee		Remuneration and Nomination Committee	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended
Stephen Baldwin	14	14	3	3	4	4
John Conoley	14	14	3	3	-	-
Andrew Hayward	14	14	-	-	-	-
Tom Rowe	14	14	-	-	4	4
Jaimie Brooke	3	3	-	-	-	-

<sup>1</sup>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 20 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 (Audited)

#### 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.

The Board has continued its cost reductions across the business through further reorganization. After a significant decrease between FY15 and FY16, the total short-term key management benefits remain similar between FY18 and FY17.

#### 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)
- Jamie Brooke (Non-executive director) appointed on 08 October 2018
- Tom Rowe (Company Secretary and non-executive director)
- Andrew Hayward (Chief Finance Officer and Executive director)
- James Hume (Chief Operational Officer)
- S Ben Lassoued (Vice President Commercial) resigned on 21 November 2018

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, and a portion that is a variable component. The variable component is effective from 1 January 2018 and comprises elements relating to achievement of financial plan and specific business objectives. The Executive Chairman's maximum variable entitlement for FY2018, subject to Company performance, is 100% of his fixed remuneration less the value of his LTI benefit for FY2018. The total amount has been forfeited in the current period as the corporate performance plan has not been met. 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 January 2018 and comprises elements relating to achievement of financial plan and specific business objectives. The CFO is entitled to total variable payment of \$77,626 (GBP 45,000). The total amount has been forfeited in the current period as the corporate performance plan has not been met. The CFO is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The Chief Operational Officer (COO) 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 COO is entitled to total variable payment of \$86,292 (GBP 50,000). The total amount has been forfeited in the current period as the corporate performance plan has not been met. The Chief Operational Officer is a permanent employee with no fixed employment term and a notice period of six months required by either party.

The Vice President Commercial (VP Commercial) is remunerated on a salary package basis that includes a base salary, allowances and a portion that is a variable component which is dependent on agreed performance objectives. The variable component comprises elements relating to achievement of sales objectives (Purchase Orders and Revenue). The VP Commercial is entitled to total variable payment of \$164,130 (AED 442,000). The variable amount earned in the current period is \$48,960 and the balance of \$115,170 has been forfeited as the sales objectives have not been fully met. On top of his variable bonus, the VP Commercial has earned a specific incentive of \$39,878 (114,000 AED). The VP Commercial is a permanent employee with no fixed employment term and a notice period of one month required by either party.

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 and performance of the Group.

## DIRECTORS' REPORT

### Elements of remuneration which are dependent on Company performance

#### Short term incentives

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 Executive Chairman, CFO and COO 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 VP commercial variable is earned on sales objectives aligned with the revenue and EBITDA objectives of the group.

#### Long term incentives

The performance options granted to the key management personnel in the current year are subject to the achievement of certain performance hurdles linked to the company's volume weighted average share price. These performance options have been granted to the Executive Chairman and the CFO and is in accordance with the Group's remuneration policy.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 31 December 2018.

	31 December 2018 \$'000	31 December 2017 \$'000	31 October 2016 \$'000	31 October 2015 \$'000	31 October 2014 \$'000
Revenue	11,185	12,240	21,577	25,866	31,261
EBITDA	(15,237)	(29,641)	(10,974)	(22,871)	28,593
Net profit/(loss) after tax	(19,747)	(37,167)	(21,742)	(32,374)	14,240

	31 December 2018	31 December 2017	31 October 2016	31 October 2015	31 October 2014
Share price at start of year	\$0.19	\$0.10	\$0.12	\$0.66	\$0.51
Share price at end of year	\$0.08	\$0.19	\$0.10	\$0.12	\$0.66
Basic earnings/(loss) per share (cents)	(2.1)	(5.5)	(6.0)	(12.3)	5.6
Diluted earnings/(loss) per share (cents)	(2.1)	(5.5)	(6.0)	(12.3)	5.5

## 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:

2018 (12 months)	Short-term employee benefits			Post Employment benefits	Share based payments	Termination Benefits	Total	Percentage of remuneration related to performance
	Salary & fees	Bonus and commission (incl. variable pay component)	Non-monetary	Superannuation	Options			
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
S Baldwin	87,284	-	-	-	-	-	87,284	-
J Conoley (ii)	450,158	-	6,941	9,777	175,360	-	642,236	-
T Rowe (iii)	149,913	-	-	-	-	-	149,913	-
A Hayward (i) (ii)	265,782	-	4,263	7,157	62,485	-	339,687	-
J Brooke (ii)	17,097	-	-	-	-	-	17,097	-
<b>Group's other Key Management Personnel</b>								
J Hume (i) (ii)	295,313	-	3,521	-	84,057	-	382,891	-
S Ben Lassoued (i) (iv)	202,005	88,838	11,203	-	-	8,006	310,052	29%
<b>Total</b>	<b>1,467,552</b>	<b>88,838</b>	<b>25,928</b>	<b>16,934</b>	<b>321,902</b>	<b>8,006</b>	<b>1,929,160</b>	<b>-</b>

(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. For A Hayward and J Hume, the variable component-based performance was 22% and 23% of the total benefit respectively. For J Conoley, the variable component is based on 100% of his fixed remuneration less the value of his LTI benefit for FY2018. 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 S Ben Lassoued is based on achievement of sales performance plan target.

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

(iii) The amount paid is for services provided by Tom Rowe in his capacity as company secretary and Non-executive Director and for legal services. All services are invoiced on a time spent basis.

(iv) Paid in AED and subject to foreign exchange fluctuations at Group level, resignation received on 21 Nov 2018.

## 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:

2017 (14 months)	Short-term employee benefits			Post Employment benefits	Share based payments	Termination Benefits	Total	Percentage of remuneration related to performance
	Salary & fees	Bonus and commission (incl. variable pay component)	Non-monetary	Superannuation	Options			
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
S Baldwin	101,831	-	-	-	-	-	101,831	-
J Conoley (iii)	523,134	-	6,132	11,403	172,945	-	713,614	-
T Rowe (iv)	180,110	-	-	-	-	-	180,110	-
A Hayward (i) (iii)	295,226	-	4,074	7,805	31,090	-	338,195	-
<b>Group's other Key Management Personnel</b>								
J Hume (i) (iii) (ix)	309,837	-	2,939	-	39,362	-	352,138	-
P Green (i) (iii) (v)	139,277	-	3,289	5,558	-	65,118	213,242	-
P Gagliardi (i) (ii) (vi)	174,942	26,634	10,463	-	-	65,264	277,304	10%
S Ben Lassoued (i) (vii) (viii)	181,026	57,750	7,572	-	1,774	-	248,122	23%
<b>Total</b>	<b>1,905,383</b>	<b>84,384</b>	<b>34,469</b>	<b>24,766</b>	<b>245,171</b>	<b>130,382</b>	<b>2,424,555</b>	<b>-</b>

- (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. For A Hayward and J Hume, the variable component-based performance was 23% and 25% of the total benefit respectively. 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 and S Ben Lassoued 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 (\$3,600), where Tom Rowe was employed as special counsel until 31 December 2016, and then relating to services provided by Capital Corporate Law (\$176,510) where Tom joined on 1 January 2017. The amount paid is for services provided by Tom Rowe in his capacity as company secretary and Non-executive Director and for legal services. All services are invoiced on a time spent basis and on normal commercial terms.
- (v) Resigned as VP Finance on 30 June 2017.
- (vi) Resigned as Chief Operating Officer on 14 April 2017.
- (vii) Paid in AED and subject to foreign exchange fluctuations at Group level.
- (viii) Joined as VP Commercial on 5 February 2017.
- (ix) Appointed Chief Operational Officer on 1 January 2017.



## DIRECTORS' REPORT

### Directors' shareholdings

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

	Balance at 31 December No.	Received on exercise of options No.	Share Issues No.	Balance at Final Year end No.
<b>Year to 31 December 2018</b>				
Andrew Hayward	-	-	-	-
Stephen Baldwin	1,554,332	-	141,302	1,695,634
John Conoley	2,233,228	-	-	2,233,228
Tom Rowe	-	-	-	-
	Balance at 31 October	Received on exercise of options	Share Issues	Balance at Final Year end
<b>Period to 31 December 2017</b>				
Andrew Hayward	-	-	-	-
Stephen Baldwin	1,165,750	-	388,582	1,554,332
John Conoley	1,900,411	-	332,817	2,233,228
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 07 Apr 2016 <sup>(i)</sup>	07-Apr-16	2021	\$0.21000	\$0.0468
Issued 08 Aug 2016 <sup>(ii)</sup>	08-Aug-16	2021	\$0.21000	\$0.0383
Issued 12 Apr 2017 <sup>(iii)</sup>	12-Apr-17	2022	\$0.21000	\$0.0331
Issued 24 Nov 2017 <sup>(iv)</sup>	24-Nov-17	2022	\$0.21000	\$0.0538
Issued 15 Jun 2018 <sup>(v)</sup>	15-Jun-18	2022	\$0.16000	\$0.0268

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

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

(iii) Options issued in this series are executive options which vest on 13 March 2019 and expire on 13 March 2022.

(iv) Options issued in this series are executive options which vest on 24 Nov 2019 and expire on 24 Nov 2022.

(v) Performance options issued are executive options which vest on the 'testing date', subject to achievement of certain performance conditions and satisfaction of the tenure conditions. The testing date is the earlier of 30 September 2020 or the date determined by the Board within 30 days following the occurrence of a change in control of the company or the sale of the substantial part of the business. These options will expire on 31 October 2022.

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 1,050,000 options granted to key management personnel expired or lapsed during the year (2017: 4,850,000). A total of 6,650,000 options were vested during the year (2017: nil).

	Balance at 1 January	Granted as compensation	Exercised	Share Issues	Balance at 31 December	Balance vested at 31 December	Vested but not exercisable	Vested and exercisable at report date	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>Year to 31 December 2018</b>									
J Conoley	8,500,000	12,000,000	-	-	20,500,000	5,000,000	-	5,000,000	5,000,000
A Hayward	2,500,000	3,000,000	-	-	5,500,000	-	-	-	-
J Hume	4,550,000	-	-	(400,000)	4,150,000	1,650,000	-	1,650,000	1,650,000
S Ben Lassoued	650,000	-	-	(650,000)	-	-	-	-	-
	Balance at 1 November	Granted as compensation	Exercised	Share Issues	Balance at 31 December	Balance vested at 31 December	Vested but not exercisable	Vested and exercisable at report date	Vested during the year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>Period to 31 December 2017</b>									
J Conoley	5,000,000	3,500,000	-	-	8,500,000	-	-	-	-
A Hayward	-	2,500,000	-	-	2,500,000	-	-	-	-
J Hume	2,650,000	2,500,000	-	(600,000)	4,550,000	-	-	-	-
P Gagliardi	2,100,000	-	-	(2,100,000)	-	-	-	-	-
P Montessori	1,250,000	-	-	(1,250,000)	-	-	-	-	-
P Green	900,000	-	-	(900,000)	-	-	-	-	-
S Ben Lassoued	-	650,000	-	-	650,000	-	-	-	-

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.

## DIRECTORS' REPORT

The following table discloses the number and value of options granted 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	12,000,000	321,600	-	-
A Hayward	3,000,000	80,400	-	-

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  
29 March 2019

29 March 2019

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

Dear Board Members

### **eServGlobal Limited**

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

As lead audit partner for the audit of the financial statements of eServGlobal Limited for the financial year ended 31 December 2018, 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



John Bresolin  
Partner  
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

## Independent Auditor's Report to the Members of eServGlobal Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of eServGlobal Limited (the "Entity"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1(v) in the financial report, which indicates that the Group incurred a net loss of \$19.75 million and had a net cash outflow from operating activities of \$9.938 million during the year ended 31 December 2018. These conditions, along with other matters as set forth in Note 1(v), indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the Group and Company's ability to continue as a going concern;
- Challenging the assumptions contained in management's cash flow forecast in relation to the Group and Company's ability to continue as a going concern; and
- Assessing the adequacy of the disclosure related to going concern.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern section*, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the Key Audit Matter was addressed in the audit
<p><b>Revenue recognition on software solution services</b></p> <p><i>Refer to Note 1(q) 'Revenue recognition', Note 1(t) 'Critical accounting judgements and key sources of estimation uncertainty', and Note 23 'Revenue from major products and services'</i></p> <p>As at 31 December 2018, the Group's revenue from software solution services is \$4.14 million.</p> <p>As disclosed in Note 1(q), revenue from software solution services is recognised over time as performance obligations are fulfilled over time. Software solution service revenue is recognised by management after assessing all factors relevant to each contract, including assessing the following as applicable:</p> <ul style="list-style-type: none"> <li>• Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;</li> <li>• Determination of stage of completion and measurement of progress towards satisfaction of performance obligations;</li> <li>• Determination of contractual entitlement; and</li> <li>• Estimation of project completion date.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes and key controls in respect of the recognition of revenue on contract services,</li> <li>• Testing a sample of contracts and: <ul style="list-style-type: none"> <li>- obtaining an understanding of the contract terms and conditions to evaluate whether these were reflected in management's estimate of forecast costs and revenue;</li> <li>- agreeing the contract services revenue to contract terms;</li> <li>- agreeing costs incurred to date to supporting documentation;</li> <li>- assessing the forecast costs to complete through review of supporting project documentation and discussing with, and challenging project managers and finance personnel with respect to underlying assumptions; and</li> <li>- recalculating the percentage of completion based on costs incurred to date relative to total forecast costs.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures in the Notes to the financial statements.</p>
<p><b>Credit loss allowance on Trade Receivables and Contract Assets</b></p> <p><i>Refer to Note 1(t) 'Critical accounting judgements and key sources of estimation uncertainty' and Note 8 'Trade Receivables and Contract Assets'</i></p> <p>As at 31 December 2018, the Group had a trade receivables balance of \$2.93 million and contract assets balance of \$2.53 million, with a credit loss allowance against these balances of \$0.95 million and \$0.36million respectively.</p> <p>As disclosed in Note 1, following the adoption of AASB 9: <i>Financial instruments</i>, the Group's credit loss allowance</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the key controls around management's policies and procedures relating to the recoverability of trade receivables and contract assets,</li> <li>• Agreeing the trade receivables and contract assets ageing reports used by management to the general ledger, and</li> <li>• Assessing the expected credit loss rate used by management to calculate the expected credit loss by evaluating the historical credit loss incurred by the Group and the relevant forward looking information impacting the credit profile of the customers.</li> </ul>

Key Audit Matter	How the Key Audit Matter was addressed in the audit
<p>methodology has changed from an incurred loss to an expected credit loss model.</p> <p>Credit loss allowance is based on management's estimate of the expected credit losses, considering the payment history of the Groups' customers, historical loss rate, customer specific conditions and other relevant current factors.</p> <p>Given the nature and the geographical spread of the Group's customers, there is a considerable level of judgement and degree of estimation involved in determining the credit loss allowance for trade receivables and contract assets.</p>	<p>We have also assessed the appropriateness of the disclosures in the Notes to the financial statements.</p>
<p><b>Recoverability of Other intangible assets – capitalised development costs</b></p> <p><i>Refer to Note 1(l) 'Intangible assets', Note 1(t) 'Critical accounting judgements and key sources of estimation uncertainty' and Note 12 'Other intangible assets – capitalised development costs'</i></p> <p>As at 31 December 2018, the Group had capitalised development costs of \$3.29 million.</p> <p>The assessment of recoverable value of capitalised development cost involves critical estimates and judgments which includes:</p> <ul style="list-style-type: none"> <li>• consideration of technological changes, and</li> <li>• the extent to which these capitalised development costs will generate sufficient economic benefit to support the carrying value.</li> </ul>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the key controls around management's impairment assessment of the capitalised development costs,</li> <li>• Enquiring of department heads involved in product development to assess the technological capability and the expected useful life of the intangible asset,</li> <li>• Assessing the internal and external indicators of impairment of the capitalised development costs, and</li> <li>• Challenging management's key assumptions supporting the recoverable value of capitalised development costs.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in the Notes to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 12 to 19 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of eServGlobal Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of eServGlobal Limited 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.



DELOITTE TOUCHE TOHMATSU



John Bresolin  
Partner  
Chartered Accountants  
Sydney, 29 March 2019

## 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

A handwritten signature in black ink, appearing to read 'John Conoley', is written over a light blue horizontal line.

John Conoley  
Chairman

29 March 2019

**Consolidated statement of profit or loss and other comprehensive income for the year ended  
31 December 2018**

	Note	Year Ended 31 Dec 2018 (12 Months) \$`000	Period Ended 31 Dec 2017 (14 Months) \$`000
<b>Revenue</b>	<b>3</b>	<b>11,185</b>	<b>12,240</b>
Cost of sales		(7,663)	(16,729)
<b>Gross profit / (loss)</b>		<b>3,522</b>	<b>(4,489)</b>
Foreign exchange gain/(loss)	2	(78)	(301)
Sales and marketing expenses		(756)	(6,153)
Administration expenses		(11,693)	(13,207)
Share of loss of associate	22	(6,232)	(5,491)
<b>Loss before interest expense, tax, depreciation and amortisation (EBITDA)</b>		<b>(15,237)</b>	<b>(29,641)</b>
Amortisation expense	2	(2,883)	(4,674)
Depreciation expense	2	(87)	(81)
<b>Loss before interest expense and tax</b>		<b>(18,207)</b>	<b>(34,396)</b>
Finance costs	2	(277)	(2,090)
<b>Loss before tax</b>		<b>(18,484)</b>	<b>(36,486)</b>
Income tax expense	4	(1,263)	(681)
<b>Loss for the year / period</b>		<b>(19,747)</b>	<b>(37,167)</b>
<b>Other comprehensive income/(loss), net of tax</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on the translation of foreign operations (nil tax impact)		6,308	1,263
<b>Total comprehensive income/(loss) for the period</b>		<b>(13,439)</b>	<b>(35,904)</b>
<b>Loss attributable to:</b>			
Equity holders of the parent		(19,863)	(37,301)
Non-controlling interest		116	134
		<b>(19,747)</b>	<b>(37,167)</b>
<b>Total comprehensive income / (loss) attributable to:</b>			
Equity holders of the parent		(13,555)	(36,038)
Non-controlling interest		116	134
		<b>(13,439)</b>	<b>(35,904)</b>
<b>Loss per share:</b>			
<b>Basic (cents per share)</b>	<b>18</b>	<b>(2.1)</b>	<b>(5.5)</b>
<b>Diluted (cents per share)</b>	<b>18</b>	<b>(2.1)</b>	<b>(5.5)</b>

Notes to the financial statements are included on pages 31 to 77

## Consolidated statement of financial position as at 31 December 2018

	Note	31 Dec 2018	31 Dec 2017
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents	25(a)	27,451	10,801
Trade receivables and contract assets	8	4,159	4,181
Inventories		28	139
Current tax assets	4	37	98
Other current assets	10	973	1,280
<b>Total Current Assets</b>		<b>32,648</b>	<b>16,499</b>
<b>Non-Current Assets</b>			
Investment in associate	22	25,791	26,319
Property, plant and equipment	11	257	127
Deferred tax assets	4	673	1,071
Intangible assets	12	3,294	3,856
<b>Total Non-Current Assets</b>		<b>30,015</b>	<b>31,373</b>
<b>Total Assets</b>		<b>62,663</b>	<b>47,872</b>
<b>Current Liabilities</b>			
Trade and other payables	13	4,085	8,798
Current tax payables	4	1,046	53
Provisions	14	1,112	999
Contract Liabilities	9	595	960
<b>Total Current Liabilities</b>		<b>6,838</b>	<b>10,810</b>
<b>Non-Current Liabilities</b>			
Provisions	14	717	777
<b>Total Non-Current Liabilities</b>		<b>717</b>	<b>777</b>
<b>Total Liabilities</b>		<b>7,555</b>	<b>11,587</b>
<b>Net Assets</b>		<b>55,108</b>	<b>36,285</b>
<b>Equity</b>			
Issued capital	15	212,326	180,352
Reserves	16	5,653	(1,066)
Accumulated losses	17	(162,991)	(143,128)
<b>Equity attributable to owners of the parent</b>		<b>54,988</b>	<b>36,158</b>
Non-controlling interest		120	127
<b>Total Equity</b>		<b>55,108</b>	<b>36,285</b>

Notes to the financial statements are included on pages 31 to 77

## Consolidated statement of changes in equity for the year ended 31 December 2018

Consolidated	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Equity- settled benefits Reserve \$'000	Accumulated Losses \$'000	Attributable to owners of the parent \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balance at 31 December 2017</b>	180,352	(4,403)	3,337	(143,128)	36,158	127	36,285
Loss for the year	-	-	-	(19,863)	(19,863)	116	(19,747)
Exchange differences arising on translation of foreign operations	-	6,308	-	-	6,308	-	6,308
<b>Total comprehensive income /(loss) for the year (net of tax)</b>	-	6,308	-	(19,863)	(13,555)	116	(13,439)
Issue of new shares, net of share issue costs (note 15)	31,974	-	-	-	31,974	-	31,974
Payment of dividends	-	-	-	-	-	(123)	(123)
Equity settled payments	-	-	411	-	411	-	411
<b>Balance at 31 December 2018</b>	<b>212,326</b>	<b>1,905</b>	<b>3,748</b>	<b>(162,991)</b>	<b>54,988</b>	<b>120</b>	<b>55,108</b>

Consolidated	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Equity- settled benefits Reserve \$'000	Accumulated Losses \$'000	Attributable to owners of the parent \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balance at 31 October 2016</b>	142,276	(5,666)	3,040	(105,827)	33,823	573	34,396
Loss for the period	-	-	-	(37,301)	(37,301)	134	(37,167)
Exchange differences arising on translation of foreign operations	-	1,263	-	-	1,263	-	1,263
<b>Total comprehensive income /(loss) for the period (net of tax)</b>	-	1,263	-	(37,301)	(36,038)	134	(35,904)
Issue of new shares, net of share issue costs (note 15)	38,076	-	-	-	38,076	-	38,076
Payment of dividends	-	-	-	-	-	(580)	(580)
Equity settled payments	-	-	297	-	297	-	297
<b>Balance at 31 December 2017</b>	<b>180,352</b>	<b>(4,403)</b>	<b>3,337</b>	<b>(143,128)</b>	<b>36,158</b>	<b>127</b>	<b>36,285</b>

Notes to the financial statements are included on pages 31 to 77

## Consolidated statement of cash flows for the year ended 31 December 2018

	<b>Note</b>	<b>31 Dec 2018 (12 Months) \$'000</b>	<b>31 Dec 2017 (14 Months) \$'000</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers		13,046	16,429
Cash payments to suppliers and employees		(23,567)	(29,216)
Refund of research & development tax credits		764	1,037
Interest and other costs of finance paid		(277)	(2,735)
Income tax refund / (paid)		96	(132)
		(9,938)	(14,617)
Net cash used in operating activities	<b>25(b)</b>	(9,938)	(14,617)
<b>Cash Flows from Investing Activities</b>			
Investment in HomeSend joint venture Company		(3,506)	(6,190)
Payment for property, plant and equipment		(247)	(99)
Software development costs		(2,180)	(2,722)
		(5,933)	(9,011)
Net cash used in investing activities		(5,933)	(9,011)
<b>Cash Flows from Financing Activities</b>			
Payment of dividends to non-controlling shareholder in subsidiary		(124)	(581)
Proceeds from issues of shares	<b>15</b>	33,440	40,125
Payment for share issue costs	<b>15</b>	(1,466)	(2,049)
Proceeds from borrowings		-	4,300
Repayment of borrowings		-	(16,341)
		31,850	25,454
Net cash from financing activities		31,850	25,454
<b>Net Increase in Cash and Cash Equivalents</b>		<b>15,979</b>	<b>1,826</b>
<b>Cash at The Beginning of The Year / Period</b>		<b>10,801</b>	<b>9,375</b>
Effects of rate changes on the balance of cash held in foreign currencies		671	(400)
		27,451	10,801
<b>Cash and Cash Equivalents at The End of The Year / Period</b>	<b>25(a)</b>	<b>27,451</b>	<b>10,801</b>

Notes to the financial statements are included on pages 31 to 77

# Notes to the Financial Statements for the year ended 31 December 2018

## 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, Australian 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. 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.

Compliance with Australian Accounting Standards 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 29 March 2019.

### **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 and investments in money market instruments with original maturities of three months or less from the date of acquisition.

#### **(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.

## Notes to the Financial Statements for the year ended 31 December 2018

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

#### (b) *Employee benefits (continued)*

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.

#### (c) *Financial assets*

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets classified as held-to-maturity and loans and receivables under AASB 9 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value including transaction costs and subsequently measured at amortised cost, less any Expected Credit Losses ("ECL"). Trade receivables are due for settlement no more than 30 days from the date of recognition.

Refer Note 1(u) for details of credit loss allowance in accordance with the simplified approach adopted by the Group in accordance with AASB 9 'Financial Instruments'.

#### (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.



## Notes to the Financial Statements for the year ended 31 December 2018

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

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

##### **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.

##### **Trade payables**

Trade payables are initially measured at fair value including transaction costs 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.

## Notes to the Financial Statements for the year ended 31 December 2018

### 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. The Group did not have any goodwill in the current or prior year.

## Notes to the Financial Statements for the year ended 31 December 2018

### 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.

## Notes to the Financial Statements for the year ended 31 December 2018

### 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.

AASB 16 Leases is applicable to annual reporting periods beginning on or after 1 January 2019 and the Group expects to adopt this standard from 1 January 2019.

## Notes to the Financial Statements for the year ended 31 December 2018

### 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.

## Notes to the Financial Statements for the year ended 31 December 2018

### 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 non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

#### **(n) Property, plant and equipment**

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

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

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

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

## Notes to the Financial Statements for the year ended 31 December 2018

### 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.

#### **(p) 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.

## Notes to the Financial Statements for the year ended 31 December 2018

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

#### (q) **Revenue recognition**

##### **Sale of goods and services**

The Group applies the following 5-step model for revenue recognition related to contracts with customers:

- a. Identify the contract(s) with customer
- b. Identify the performance obligation in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation in the contract
- e. Recognise revenue when or as the entity satisfied in performance obligations.

The Group recognises sales revenue related to the transfer of promised goods or services when a performance obligation is satisfied and when control of the goods or services passes to the customer, which is when the customer receives the product upon delivery. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled and only to the extent that it is highly probable that a significant reversal of revenue will not occur.

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and –
- there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

The Group recognises revenue predominantly from the following services:

##### **Rendering of Software Solution Services**

The Group is generally responsible for the overall management of the contract and to provide services to integrate the License into the customer's network. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under the contract and as such is treated as a single performance obligation. The performance obligation is fulfilled over time because the customer simultaneously receives and consumes the benefits and as such revenue is recognised over time.

##### **Revenue from Support and Maintenance Services**

Revenue from support and maintenance contracts is recognised over time. This is due to the fact that the customer simultaneously receives and consumes the benefits provided by the Group's performance of the support and maintenance services. The services are made available to the customer throughout the term of the contract.

Customers are typically invoiced on a monthly basis for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

##### **Revenue from Hardware**

Revenue from hardware is recognised when the control of the underlying goods is transferred to the customer at a point in time.

The critical judgements made to the revenue standard are noted in Note (t).



## Notes to the Financial Statements for the year ended 31 December 2018

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

#### (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.

#### (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 136 *Impairment of assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that 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.

## Notes to the Financial Statements for the year ended 31 December 2018

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

#### (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:

#### **Revenue recognition on software solution services**

Software solution services revenue is recognised over time as performance obligations are fulfilled over time. Significant management estimation is required after assessing all factors relevant to each contract, including the following:

- Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;
- Determination of stage of completion and measurement of progress towards satisfaction of performance obligations;
- Determination of contractual entitlement; and
- Estimation of project completion date.

## Notes to the Financial Statements for the year ended 31 December 2018

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

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

##### **Recoverability of other intangible assets – capitalised development costs**

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.

The assessment of recoverable value of capitalised development cost involves critical estimates and judgments which includes:

- consideration of technological changes,
- the extent to which these capitalised development costs will generate sufficient economic benefit to support the carrying value.

Based on the directors' assessment there is no evidence of impairment in the carrying value of capitalised development costs at year end.

##### **Credit loss allowance on Trade Receivables and Contract Assets**

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 contract assets 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 credit loss allowance for trade receivables and contract assets.

The Group determines an impairment provision based on the ageing of trade receivables and contract assets, status of the projects, historical collection rates, specific knowledge of the individual customers financial position and consideration of political and economic factors affecting the customers in the relevant geographies.

Based on a detailed assessment by management, a credit loss allowance on trade receivables of \$0.330 million (2017: \$4.850 million) and a credit loss allowance on contract assets of \$0.688 million (2017: \$8.348 million) were charged to the profit or loss in the current year.

## Notes to the Financial Statements for the year ended 31 December 2018

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

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

##### **AASB 15: 'Revenue from Contracts with Customers'**

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers which has come into effect 1 January 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below and in Note 1(q) and Note 3.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

##### ***Impact on application:***

AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.

The Group has applied AASB 15 by modified retrospective with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of equity and therefore comparative figures are not restated. The impact of applying AASB 15 on opening retained earnings is not material to the financial statements.

Under the Group's previous revenue recognition policy, revenue from the sale of software licences when sold in conjunction with integration services (including installation and configuration) were generally treated as separate performance obligations with the associated revenue recognised on satisfaction of each separate performance obligation, at a point in time for the software licence and over time for the integration services.

Under AASB 15, the sale of software licences in conjunction with integration services is treated as a single performance obligation ("software solution services") with revenue recognised over time as the single performance obligation is performed, generally over the period the software solution service is completed. The Group has adopted the revised accounting policy related to revenue recognition in relation to the software licence component in order to comply with AASB 15.

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what was previously classified as 'work in progress' and 'deferred revenue'. The Group has adopted the terminology used in AASB 15 to describe such balances.

## Notes to the Financial Statements for the year ended 31 December 2018

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

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

#### **AASB 15: 'Revenue from Contracts with Customers' (continued)**

The Group recognises revenue from the following sources:

- Software solution services (being a software licence and integration with customer systems);
- Support & maintenance services; and
- Hardware

<b>Performance Obligation</b>	<b>Revenue stream</b>	<b>Timing of Recognition</b>
Provision of integrated software solution service	Software solution services	Over time as the integrated software solution service is provided.
Provision of support and maintenance service	Support and maintenance services	Over time as the customer receives support and maintenance service for the duration of the contract.
Sale of Hardware	Hardware	At a point of time on delivery of the hardware

Revenue from provision of integrated software solution service is recognised over time based on the stage of completion of the contract, which is determined with reference to the ratio of project hours relative to projected total project hours. The Group has assessed that this is an appropriate measure of progress towards the satisfaction of the performance obligation under AASB 15 because it faithfully depicts the transfer of control of goods and services to the customer.

Revenue from support and maintenance service is based on a fixed-price contract and the customer pays the fixed amount based on an agreed payment schedule based on hours spent. If the services rendered by the Group exceed the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

During the year, revenue by stream is summarised below:

<b>Revenue Stream</b>	<b>Revenue Recognition</b>	<b>Amount \$000</b>
Software solution services	Over time	4,142
Support and maintenance services	Over time	6,836
Hardware	Point in time	207
<b>Total revenue</b>		<b>11,185</b>

## Notes to the Financial Statements for the year ended 31 December 2018

### AASB 9 'Financial Instruments'

In the current year, the Group has applied AASB 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other AASB Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives, which is what the Group has chosen to adopt. The directors have determined that the impact of adoption of AASB 9 is not material as at the date of initial application (1 January 2018). The Group has applied AASB 9 in accordance with the transition provisions set out in the Standard as follows:

AASB 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) General hedge accounting, and
- 3) Impairment of financial assets

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

#### **(a) Classification and measurement of financial assets**

The impact of the application of AASB 9 did not result in any change to the classification and measurement of Financial Instruments held by the Group as the only assets are trade receivables that are carried at amortised cost under both accounting standards.

#### **(b) General hedge accounting**

The Group has no complex financial instruments and does not apply hedge accounting. As a result, the relevant changes in AASB 9 have not impacted the Group.

#### **(c) Impairment of financial assets**

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables and contract assets. The Group does not have any other material financial assets.

AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. eServGlobal has applied this simplified approach.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. A provision matrix is determined based on historic credit loss rate for each group of customers, adjusted for any material expected changes to the customers' future credit risk.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The total credit loss allowance on trade receivables and contract assets include certain specific customers which the Group assessed as non-recoverable in the prior periods. Refer Note 8 for details of the application of the ECL on the Group's trade receivables and contract assets.

## Notes to the Financial Statements for the year ended 31 December 2018

### 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 December 2018. The directors have not early adopted any of these new or amended standards or interpretations.

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.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 16 'Leases'	1 January 2019	31 December 2019

AASB 16 Leases is applicable to annual reporting periods beginning on or after 1 January 2019. Subject to exceptions, a lease liability will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A 'right of use' asset corresponding to the lease liability will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The Group expects to adopt this standard from 1 January 2019 and the impact of its adoption will be that operating leases, such as those detailed in note 20, will be brought onto the statement of financial position with a corresponding liability. eServGlobal is considering the application to be based on the modified approach and are currently assessing the incremental borrowing rate to be applied to the lease liability.

## Notes to the Financial Statements for the year ended 31 December 2018

### **(v) Going Concern**

The consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2018 reflects a loss after tax of \$19.75 million (2017: \$37.167 million), and the consolidated statement of cash flows reflects net cash outflows from operations of \$9.938 million (2017: \$14.617 million). The cash and cash equivalents balance of \$27.451 million includes cash of around \$24.7 million in relation to future capital contribution to the Homesend associate. Whilst not contractually obliged, the directors have internally allocated this amount for future capital contribution to the Homesend associate.

The Directors have reviewed a cash flow forecast prepared by management for the period through to 31 March 2020. 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 collection of trade receivables and work in progress balances, and the Group achieving its anticipated rate of cash inflows from conversion and delivery of sales pipeline opportunities over the forecast period. The Directors believe that the actions undertaken over the past two years 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 March 2020, it is likely that additional capital and/or alternative funding will need to be secured. In the absence of such additional funding, a material uncertainty would exist as to whether the Group and the Company 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 Company not continue as going concerns.



## Notes to the Financial Statements for the year ended 31 December 2018

### 2. LOSS BEFORE TAX

	<b>Consolidated</b>	
	<b>Year Ended 31 December 2018 \$'000</b>	<b>Period Ended 31 December 2017 \$'000</b>
Loss before tax has been arrived at after charging the following:		
Other gains and losses:		
Net foreign exchange (gain)/ loss	78	301
Finance costs:		
Interest expense - financial institutions	277	-
Interest expense - shareholder loans	-	2,090
<b>Total finance costs</b>	<b>277</b>	<b>2,090</b>
Depreciation of non-current assets:		
Plant and equipment	87	81
<b>Total depreciation of non-current assets</b>	<b>87</b>	<b>81</b>
Amortisation of intangible assets:		
Software development costs	2,883	4,674
Operating lease rental expenses:		
Minimum lease payments	747	658
Impairment recognised on trade receivables (Note 8)	330	4,850
Impairment recognised on contract assets (Note 8)	358	3,498
Employee benefit expense:		
Other employee benefits	12,552	19,360
Equity settled share-based payments	411	297
<b>Total employee benefits expense</b>	<b>12,963</b>	<b>19,657</b>

## Notes to the Financial Statements for the year ended 31 December 2018

Consolidated		
	Year Ended 31 December 2018 \$'000	Period Ended 31 December 2017 \$'000
<b>3. REVENUE</b>		
Revenue from continuing operations consisted of the following items:		
Software solution services	4,142	4,431
Support and maintenance services	6,836	7,603
Hardware	207	206
<b>Total revenue from continuing operations</b>	<b>11,185</b>	<b>12,240</b>

### 4. INCOME TAXES

	Year Ended 31 December 2018 \$'000	Period Ended 31 December 2017 \$'000
<b>(a) Income tax recognized in profit/(loss)</b>		
Tax (benefit)/expense comprises:		
Current tax (benefit)/expense	928	781
Adjustments recognised in the current year in relation to the current tax of prior years	(63)	(91)
Deferred tax (income)/expense relating to the origination and reversal of temporary differences and tax credits	398	(9)
<b>Income tax expense</b>	<b>1,263</b>	<b>681</b>

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	(18,485)	(36,486)
<b>Income tax expense/ (benefit) calculated at 30%</b>	<b>(5,546)</b>	<b>(10,945)</b>
Non-deductible expenses	160	109
Foreign withholding tax credits not utilised	209	662
Deferred tax assets not recognised	7,918	12,172
Effect of different tax rate in foreign operations	(1,415)	(1,226)
Under/(over) provision of income tax in previous year	(63)	(91)
<b>Income tax expense</b>	<b>1,263</b>	<b>681</b>

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 December 2018 \$'000	31 December 2017 \$'000
<b>(b) Current tax assets and liabilities</b>		
<b>Current tax assets:</b>		
Tax refund receivable	37	98
<b>Current tax payables:</b>		
Withholding and Income tax payable	1,046	53

**Deferred tax balances**

Deferred tax assets arise from the following:

	Consolidated			
	Opening balance \$'000	Reclassified \$'000	(Charged)/ credited to profit or loss \$'000	Closing balance \$'000
<b>2018</b>				
<b>Deferred tax assets:</b>				
Research & development tax credits	673		(238)	435
Foreign tax credits and other tax offsets	398	-	(160)	238
	1,071	-	(398)	673

	Consolidated			
	Opening balance \$'000	Reclassified \$'000	(Charged)/ credited to profit or loss \$'000	Closing balance \$'000
<b>2017</b>				
<b>Deferred tax assets:</b>				
Research & development tax credits	377		296	673
Foreign tax credits and other tax offsets	685	-	(287)	398
	1,062	-	9	1,071

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 \$56.9m at year end (2017: \$49.9m).

## Notes to the Financial Statements for the year ended 31 December 2018

### 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:

	<b>Consolidated Year Ended 31 December 2018 \$</b>	<b>Period Ended 31 December 2017 \$</b>
Short-term employee benefits	1,582,318	2,024,236
Post-employment benefits	16,934	24,766
Termination benefits	8,006	130,382
Share-based payments	321,902	245,171
	<hr/> <b>1,929,160</b>	<hr/> <b>2,424,555</b>

## Notes to the Financial Statements for the year ended 31 December 2018

### 6. SHARE BASED PAYMENTS

#### Executive and Employee Equity-Settled Share Based Payments

The Group has an ownership-based remuneration scheme for executive 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 which was 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 December 2018, certain key management personnel and employees (past and present) are entitled to purchase an aggregate of 32,575,000 (2017: 18,725,000) ordinary shares of the entity at an average exercise price of \$0.219 (2017: \$0.2140) per ordinary share. At 31 December 2018, 8,225,000 options had vested. The options may be exercised at various times up until 24 November 2022. 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 15,000,000 performance options under its executive and employee share option plan (2017: 10,000,000).

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 07 Apr 2016 <sup>(i)</sup>	07-Apr-16	2021	\$0.21	\$0.0468	3,000,000	1,169
Issued 08 Aug 2016 <sup>(ii)</sup>	08-Aug-16	2021	\$0.21	\$0.0383	5,225,000	1,316
Issued 12 Apr 2017 <sup>(iii)</sup>	12-Apr-17	2022	\$0.21	\$0.0331	Nil	1,533
Issued 24 Nov 2017 <sup>(iv)</sup>	24-Nov-17	2022	\$0.21	\$0.0538	Nil	1,789
Issued 15 Jun 2018 <sup>(v)</sup>	15-Jun-18	2022	\$0.16	\$0.0268	Nil	1,440

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

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

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

(iii) Options issued in this series are executive options which vest on 13 March 2019 and expire on 13 March 2022.

(iv) Options issued in this series are executive options which vest on 24 Nov 2019 and expire on 24 Nov 2022.

(v) Performance options issued are executive options which vest on the 'testing date', subject to achievement of certain performance conditions and satisfaction of the tenure conditions. The testing date is the earlier of 30 September 2020 or the date determined by the Board within 30 days following the occurrence of a change in control of the company or the sale of the substantial part of the business. These options will expire on 31 October 2022.

## Notes to the Financial Statements for the year ended 31 December 2018

### 6. SHARE BASED PAYMENTS (continued)

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

Key inputs into the models for the options issued in the current year:

Issue Date	Share price at grant date	Risk free rate of return to expiry (p.a.)	Years to expiration/ exercise	Exercise price	Volatility
15 Jun 2018	0.16	2.4%	4.4	0.16	50%

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 December 2018		31 December 2017	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at the beginning of the financial year	18,725,000	0.214	15,140,000	0.246
Granted during the year	15,000,000	0.16	10,000,000	0.210
Expired/ lapsed during the year	(1,150,000)	0.285	(6,415,000)	0.282
Balance at the end of the financial year	32,575,000	0.219	18,725,000	0.214
Exercisable at the end of the financial year	8,225,000		500,000	

Consolidated	
Year Ended 31 December 2018	Period Ended 31 December 2017
\$	\$

### 7. REMUNERATION OF AUDITORS

#### Auditor of the Parent Entity

Auditing or review of the financial report	196,000	196,000
Other services – Taxation	20,000	-
	216,000	196,000

#### Other Auditors

Auditing or review of the financial report	136,673	179,367
Other services – Taxation	-	8,688
	136,673	188,055
	332,673	384,055

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 year ended 31 December 2018

	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>

### 8. TRADE RECEIVABLES AND CONTRACT ASSETS

#### Current trade receivables

Trade receivables	2,934	8,454
Less: Credit loss allowance	(945)	(5,764)
	1,989	2,690
Contract assets	2,527	3,336
Less: Credit loss allowance	(357)	(1,845)
	2,170	1,491
<b>TOTAL</b>	<b>4,159</b>	<b>4,181</b>

Included in the Group's trade receivable balance are debtors with a carrying amount of \$1.2 million (2017: \$0.2 million) which are past due at the reporting date.

	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>

#### Ageing of past due

By up to 30 days	439	198
30 - 90 days	504	-
90 - 120 days	-	-
120 + days	296	13
	1,239	211

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in AASB 9.

	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>

#### Credit loss allowance:

Balance at the beginning of the financial year	5,764	3,733
Impairment losses recognised on receivables	330	4,850
Write-off of receivables impaired in the prior period	(5,149)	(2,819)
	945	5,764

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and the general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

## Notes to the Financial Statements for the year ended 31 December 2018

### 8. TRADE RECEIVABLES AND CONTRACT ASSETS (continued)

The following table details the loss rate profile of trade receivables based on the Group's provision matrix.

Credit loss matrix	Current	31 -60 days	61 -90 days	91-120 days	>120 days	Specific allowance	Total
Expected credit loss rate	2.97%	5.78%	14.44%	29.96%	50%	100%	
Gross carrying amount (\$'000)	1,059	439	430	73	296	637	2,934
Lifetime ECL (\$'000)	31	35	72	22	148	637	945

	31 December 2018 \$'000	31 December 2017 \$'000
<b>9. CONTRACT ASSETS AND CONTRACT LIABILITIES</b>		
Contract assets	6,802	11,004
Progress billings and advances received	(5,227)	(10,473)
	1,575	531
Contract assets (i) :		
Current (Note 8)	2,170	1,491
Contract liabilities:		
Current	(595)	(960)
	1,575	531

(i) Net of credit loss allowance totalling \$0.358 million (2017: \$1.845 million).

### 10. OTHER ASSETS

#### (a) Current

	31 December 2018 \$'000	31 December 2017 \$'000
Prepayments	552	827
Deposits and other assets	421	453
	973	1,280



## Notes to the Financial Statements for the year ended 31 December 2018

### 11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Office furniture and fittings	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>Gross carrying amount – at cost</b>			
<b>Balance at 31 December 2017</b>	290	601	891
Additions	49	198	247
Net foreign currency movement	(5)	(19)	(24)
<b>Balance at 31 December 2018</b>	334	780	1,114
<b>Accumulated depreciation</b>			
<b>Balance at 31 December 2017</b>	(195)	(569)	(764)
Depreciation expense	(75)	(18)	(93)
<b>Balance at 31 December 2018</b>	(270)	(587)	(857)
<b>Net book value</b>			
As at 31 December 2017	95	32	127
As at 31 December 2018	64	193	257

## Notes to the Financial Statements for the year ended 31 December 2018

### 12. INTANGIBLE ASSETS

	Consolidated		
	Software acquired \$'000	Software development \$'000	Total \$'000
<b>Gross carrying amount</b>			
<b>Balance at 31 December 2017</b>	573	12,940	13,513
Internally developed	-	2,180	2,180
Effects of foreign currency exchange movements	66	880	946
<b>Balance at 31 December 2018</b>	639	16,000	16,639
<b>Accumulated Amortisation and impairment</b>			
<b>Balance at 31 December 2017</b>	(329)	(9,327)	(9,656)
Amortisation expense	(213)	(2,748)	(2,961)
Effects of foreign currency exchange movements	(26)	(702)	(728)
<b>Balance at 31 December 2018</b>	(568)	(12,777)	(13,345)
<b>Net Book Value</b>			
As at 31 December 2017	244	3,612	3,856
As at 31 December 2018	71	3,223	3,294

**Intangible assets mainly relate to capitalised development costs.**

#### **Significant intangible assets**

New Software development costs in 2018 of \$2.180 million relate to the transformation of Playmobile 4 and 4.1 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.

## Notes to the Financial Statements for the year ended 31 December 2018

	<b>Consolidated</b>	
	<b>31</b>	<b>31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>

### 13. TRADE AND OTHER PAYABLES

Trade payables (i)	1,131	1,140
Accruals and other payables	2,954	7,658
	4,085	8,798

- (i) The average credit period on purchases of goods is 60 days (2017: 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.

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

## Notes to the Financial Statements for the year ended 31 December 2018

### 14. PROVISIONS

	Employee provisions \$'000	Retirement benefit provision (i) \$'000	Total \$'000
<b>Consolidated</b>			
<b>Balance as at 31 December 2017</b>	999	777	1,776
Additional provisions recognised	353	-	353
Utilised during the year	(240)	(60)	(300)
<b>Balance as at 31 December 2018</b>	<b>1,112</b>	<b>717</b>	<b>1,829</b>
Current	1,112	-	1,112
Non-current	-	717	717
<b>Balance as at 31 December 2018</b>	<b>1,112</b>	<b>717</b>	<b>1,829</b>

	Employee provisions \$'000	Retirement benefit provision (i) \$'000	Total \$'000
<b>Consolidated</b>			
<b>Balance as at 31 December 2016</b>	1,009	890	1,899
Additional provisions recognised	42	-	42
Utilised during the year	(52)	(113)	(165)
<b>Balance as at 31 December 2017</b>	<b>999</b>	<b>777</b>	<b>1,776</b>
Current	999	-	999
Non-current	-	777	777
<b>Balance as at 31 December 2017</b>	<b>999</b>	<b>777</b>	<b>1,776</b>

(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)).

## Notes to the Financial Statements for the year ended 31 December 2018

15. ISSUED CAPITAL	31 December 2018 \$'000	31 December 2017 \$'000
1,210,850,662 fully paid ordinary shares (2017: 906,850,662)	212,326	180,352

	31 December 2018		31 December 2017	
	No. '000	\$ '000	No. '000	\$ '000
<b>Fully Paid Ordinary Shares</b>				
Balance at the beginning of financial year	906,851	180,352	640,184	142,276
Issue of new shares in the Company	304,000	33,440	266,667	40,125
Costs of share issue	-	(1,466)	-	(2,049)
Balance at the end of financial year	1,210,851	212,326	906,851	180,352

During the current period, the Company issued a total of 304,000,000 shares (2017: 266,666,666), for proceeds of \$31.974 million net of expenses (2017: \$38.076 million). As announced on 27 September 2018, the Company completed the institutional component (“Institutional Offer”) of its 1 for 3 accelerated non-renounceable entitlement offer (“Entitlement Offer”) alongside a firm placing to institutional and other investors (“Firm Placing”) (together with the Entitlement Offer, the “Fundraising”). The Fundraising raised \$33.44 million for new fully paid ordinary shares in the Company at \$0.11 per share. The net proceeds from the Fundraising has been used in part to fund the capital raise by the HomeSend JV to fund its short-term cash requirements and provide further capital for future cash calls, therefore enabling the Company to maintain its ownership in the HomeSend JV. The proceeds have also been used to further support the rationalisation exercise within the core business and for general working capital purposes.

	31 December 2018 \$'000	31 December 2017 \$'000
Reconciliation of new shares issued:		
Issue of shares	33,440	40,125
Less: Share issue costs	(1,466)	(2,049)
Net value of share capital issued	31,974	38,076

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 December 2018, 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.

## Notes to the Financial Statements for the year ended 31 December 2018

	<b>Consolidated</b>	
	<b>31</b>	<b>31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>16. RESERVES</b>		
Foreign currency translation reserve (a)	1,905	(4,403)
Equity-settled benefits reserve (b)	3,748	3,337
	5,653	(1,066)

### **(a) Foreign currency translation reserve**

Balance at beginning of financial year	(4,403)	(5,666)
Translation of foreign operations	6,308	1,263
	1,905	(4,403)

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	3,337	3,040
Employee equity-settled benefits (i)	411	297
	3,748	3,337

(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.

	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>17. ACCUMULATED LOSSES</b>		
Balance at beginning of the financial year	(143,128)	(105,827)
Loss for the year attributable to equity holders of the parent	(19,863)	(37,301)
	(162,991)	(143,128)

## Notes to the Financial Statements for the year ended 31 December 2018

	<b>Consolidated</b>	
	<b>Year Ended 31 December 2018</b>	<b>Period Ended 31 December 2017</b>
<b>18. EARNINGS PER SHARE</b>		
Basic earnings per share (cents per share)	(2.1)	(5.5)
Diluted earnings per share (cents per share)	(2.1)	(5.5)

### 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:

	<b>Year Ended 31 December 2018 \$'000</b>	<b>Period Ended 31 December 2017 \$'000</b>
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(19,863)	(37,301)
	<b>31 December 2018 No '000</b>	<b>31 December 2017 No '000</b>
Weighted average number of ordinary shares	958,631	677,224

### 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:

	<b>Year Ended 31 December 2018 \$'000</b>	<b>Period Ended 31 December 2017 \$'000</b>
Earnings – being the (loss)/profit for the year attributable to equity holders of the parent	(19,863)	(37,301)
	<b>31 December 2018 No '000</b>	<b>31 December 2017 No '000</b>
Weighted average number of ordinary shares and potential ordinary shares (a)	958,631	677,224

(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 and potential ordinary shares used in the calculation of basis and diluted (loss)/earnings per share	958,631	677,224
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There are no instruments in the current or prior year that are considered dilutive

## Notes to the Financial Statements for the year ended 31 December 2018

### 19. DIVIDENDS

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

### 20. 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 December 2018 \$'000	Year Ended 31 December 2017 \$'000
Non-cancellable operating leases		
No longer than 1 year	623	618
Longer than 1 year and not longer than 5 years	1,593	492
	<hr/>	<hr/>
	2,216	1,110



## Notes to the Financial Statements for the year ended 31 December 2018

	Country of incorporation	Ownership Interest and voting power	
		31 December 2018	31 December 2017
		%	%

### 21. SUBSIDIARIES

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

#### Parent Entity

eServGlobal Limited	Australia
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#### 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 year ended 31 December 2018

### 22. 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 December 2018	31 December 2017
Homesend SCRL (i)	Provision of international mobile money services	Brussels, Belgium	35.69%	35.69%

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 35.69 % voting power in shareholders meetings and its contractual right to appoint two out of six directors to the board of directors of that Company.

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

	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
Net assets of the associate	72,264	73,743
Proportion of the Group's ownership interest in HomeSend SCRL	35.69 %	35.69 %
	25,791	26,319

Reconciliation of the carrying amount of the investment in associate:

	<b>31 December 2018 \$000</b>	<b>31 December 2017 \$000</b>
Opening balance	26,319	24,986
Investment in associate	3,506	6,190
Share of current period loss of the associate	(6,232)	(5,491)
Effects of foreign currency exchange movements	2,198	634
	25,791	26,319

On 29 November 2018, the Company participated in the HomeSend capital raise to maintain its 35.69% holding in the Joint Venture. The Company contributed \$3.51 million (€2.19million) towards the total \$9.94 million (€6.1 million) capital raise.

On 19 December 2017, the Company participated in the HomeSend capital raise to maintain its 35.69 % holding in the Joint Venture. The Company contributed \$6.19million (€3.89million) towards the total \$ 15.2million (€10million) capital raise, which increased its interest in HomeSend from 35% to 35.69% (due to BICS not taking up their entitlement).

## Notes to the Financial Statements for the year ended 31 December 2018

### 22. INVESTMENT IN ASSOCIATES (continued)

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 US GAAP, adjusted to align with the Australian Accounting Standards and to reflect other required identifiable assets and goodwill equity accounting adjustments.

<b>HomeSend SCRL</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	<u>26,767</u>	<u>31,245</u>
Non-current assets (i)	<u>65,196</u>	<u>63,019</u>
Current liabilities	<u>(19,699)</u>	<u>(20,521)</u>
Net assets	<u>72,264</u>	<u>73,743</u>

(i) Includes identifiable intangible assets and goodwill arising on acquisition.

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	<u>8,051</u>	<u>11,190</u>
Profit/(loss) from continuing operations (ii)	<u>(17,461)</u>	<u>(15,689)</u>
Profit/(loss) for the year	<u>(17,461)</u>	<u>(15,689)</u>
Total comprehensive income/(loss) for the year	<u>(17,461)</u>	<u>(15,689)</u>
Dividends received from the associate during the year	<u>-</u>	<u>-</u>

(ii) Includes amortisation of identifiable assets and goodwill arising on acquisition.

## Notes to the Financial Statements for the year ended 31 December 2018

### 23. 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 December 2018	Year Ended 31 December 2017
	\$'000	\$'000
Hardware	207	206
Software Solution Services	4,142	4,431
Support and Maintenance Services	6,836	7,603
<b>Total revenue from continuing operations</b>	<b>11,185</b>	<b>12,240</b>

#### 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$'000	\$'000	\$'000	\$'000
Middle East	7,102	7,115	-	-
Asia Pacific	1,090	1,502	25,791	26,319
Europe	243	570	3,551	3,983
Africa	2,750	3,050	-	-
Central and South America	-	3	-	-
<b>Total</b>	<b>11,185</b>	<b>12,240</b>	<b>29,342</b>	<b>30,302</b>

Non-current assets exclude deferred tax assets.

#### Information about major customers

Included in total revenue is revenue of \$2.305 million and \$1.674 million which arose from sales to the Group's two largest customers.

## Notes to the Financial Statements for the year ended 31 December 2018

### 24. 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 21 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) Other related party transactions

	Consolidated	
	Year Ended 31 December 2018 \$	Period Ended 31 December 2017 \$
Mr Rowe's Director's Fees, as detailed in the Directors' Report, are paid to his private Company	149,913	180,110
Mr Baldwin's Director's Fees, as detailed in the Directors' Report, are paid to his private Company	87,284	101,831
Mr Brooke's Director's Fees, as detailed in the Directors' Report, are paid to his private Company	17,097	-

#### f) Parent Entities

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

## Notes to the Financial Statements for the year ended 31 December 2018

### 25. NOTES TO THE STATEMENT OF CASH FLOWS

Consolidated Year Ended 31 December 2018 \$'000	Period Ended 31 December 2017 \$'000
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#### 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.

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	27,451	10,801
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#### b) Reconciliation of loss for the year to net cash flows from operating activities

Loss for the year	(19,747)	(37,167)
Depreciation of non-current assets	87	81
Amortisation of non-current assets	2,883	4,674
Foreign exchange loss, including changes in foreign currency net assets and liabilities and other non-cash items	3,270	912
Equity settled share-based payments	411	297
Share of loss of associate	6,232	5,491
Decrease in current income tax balances	1,054	492
(Increase) in deferred tax balances	398	(9)
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
- Trade receivables, contract assets and other assets	329	14,111
- Inventories	111	(67)
Increase/(decrease) in liabilities:		
- Trade payables	(4,714)	(2,690)
- Provisions	113	(10)
- Other liabilities	(365)	(732)
<i>Net cash used in operating activities</i>	(9,938)	(14,617)

## Notes to the Financial Statements for the year ended 31 December 2018

### 25. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

#### c) Cash balance not available for use

The cash balance not available for use as at 31 December 2018 includes rental deposits (classified as other current assets) of \$0.084 million (2017: \$0.131 million). The rental deposit is held as security by the financial institutions in relation to a financial guarantee that has been issued on behalf of the Group.

### 26. 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. The Group has previously had borrowings from related party shareholders. During the prior period, the Group repaid all the borrowings and accrued interest from capital raising conducted in the period. The Group has no other borrowings (2017: nil). Operating cash flows is 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.

## Notes to the Financial Statements for the year ended 31 December 2018

### 26. 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 (2017: nil).

The material 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:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><i>External Group Exposure (*)</i></b>				
US Dollars	1,696	5,579	239	71
Euro (Functional currency – Australian Dollars)	25,722	407	-	-
UK Pounds (Functional currency – Australian Dollars)	1,365	8,312	-	-

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



## Notes to the Financial Statements for the year ended 31 December 2018

### 26. 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.

	<b>Profit or loss</b>	
	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Currency</b>	<b>\$'000</b>	<b>\$'000</b>
<b>External Group Exposure</b>		
<b>US Dollars</b>	181	612
<b>Euro</b>	2,572	-
<b>UK Pounds</b>	152	84

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 reflects the foreign currency risk changes as at reporting date.

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 period ended 31 December 2018

### 26. FINANCIAL INSTRUMENTS (continued)

#### f) Interest Rate Risk Management

The Group's exposure to interest rate risk at 31 December 2018 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 0.001% for the financial year (2017: 0.04%).

#### 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.

#### 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 cash reserves and 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.

	Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000
<b>Consolidated</b>				
<b>31 December 2018</b>				
Trade payables - Non-interest bearing	565	566	-	-
Other payables – Non-interest bearing	118	1,034	1,329	473
<b>Total</b>	<b>683</b>	<b>1,600</b>	<b>1,329</b>	<b>473</b>
<b>31 December 2017</b>				
Trade payables - Non-interest bearing	569	571	-	-
Other payables – Non-interest bearing	213	2,574	3,498	1,370
<b>Total</b>	<b>782</b>	<b>3,145</b>	<b>3,498</b>	<b>1,370</b>

## Notes to the Financial Statements for the year ended 31 December 2018

### 26. 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 %	Not Overdue	Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>Consolidated</b>							
<b>31 December 2018</b>							
Cash and cash equivalents	0.001%	-	27,451	-	-	-	-
Deposits - Non-interest bearing		-	-	-	856	-	-
Trade receivables - Non-interest bearing		916	380	436	257	-	-
<b>Total</b>		<b>916</b>	<b>27,831</b>	<b>436</b>	<b>1,113</b>	<b>-</b>	<b>-</b>
<b>31 December 2017</b>							
Cash and cash equivalents	0.04%		10,801	-	-	-	-
Deposits - Non-interest bearing		-	-	-	453	-	-
Trade receivables - Non-interest bearing		1,555	182	6	878	65	3
<b>Total</b>		<b>1,555</b>	<b>10,983</b>	<b>6</b>	<b>1,331</b>	<b>65</b>	<b>3</b>

#### 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.

The Group has assessed the expected credit loss on receivables and have used a provision matrix to measure the Group's estimated impairment losses (refer note 8).

## Notes to the Financial Statements for the year ended 31 December 2018

### 26. FINANCIAL INSTRUMENTS (continued)

**(i) 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 December 2018 (31 December 2017: nil).

**(ii) 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.

### 27. PARENT ENTITY INFORMATION

<b>(a) Financial position</b>	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
<b>Assets</b>		
Current assets	26,888	10,020
Non-current assets	28,704	26,984
<b>Total assets</b>	<b>55,592</b>	<b>37,004</b>
<b>Liabilities</b>		
Current liabilities	(484)	(719)
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>(484)</b>	<b>(719)</b>
<b>Net Assets</b>	<b>55,108</b>	<b>36,285</b>
<b>Equity</b>		
Issued capital	212,236	180,352
Accumulated losses	(160,880)	(147,404)
<b>Reserves</b>		
Equity-settled benefits	3,752	3,337
Foreign currency translation	-	-
<b>Total equity</b>	<b>55,108</b>	<b>36,285</b>
<b>(b) Financial performance</b>		
	<b>Year Ended 31 December 2018 \$'000</b>	<b>Period Ended 31 December 2017 \$'000</b>
Loss for the period	(13,476)	(36,481)
Other comprehensive income/(loss)	-	-
<b>Total comprehensive income/(loss)</b>	<b>(13,476)</b>	<b>(36,481)</b>

## Notes to the Financial Statements for the year ended 31 December 2018

### 27. PARENT ENTITY INFORMATION (continued)

#### (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 material commitments for the acquisition of property, plant and equipment by the parent entity.

### 28. 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.

### 29. 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 22 March 2019

### Corporate Governance

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

### Ordinary share capital

1,210,850,662 fully paid ordinary shares are held by 969 individual shareholders on the Australian Securities Exchange (including the depository interest holder nominee) and 144 individual depository interest holders on the London Stock Exchange (AIM).

All issued ordinary shares carry one vote per share.

### Options

8 individual option holders hold a total of 17,575,000 options at an exercise price of \$0.21 per option.

2 individual option holders hold a total of 15,000,000 performance options at an exercise price of £0.09 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)	\$0.21 Options- not listed	£0.09 Performance Options- Not Listed
1-1,000	150	4	-	-
1,001-5,000	314	1	-	-
5,001-10,000	148	6	-	-
10,001-100,000	270	40	1	-
100,001-Over	87	93	7	2
<b>Total</b>	<b>969</b>	<b>144</b>	<b>8</b>	<b>2</b>

Holding less than a marketable parcel 393

### Substantial shareholders

	Number
Lombard Odier Asset Management (Europe) Limited	296,636,144
Legal and General Investment Management Plc	168,887,423
Canaccord Genuity Group Inc / Hargreave Hale Limited	147,205,000
Prudential Plc	119,112,613

## Twenty largest holders of quoted equity securities

### Australian Securities Exchange

Computershare Clearing Pty Ltd holds 1,015,452,289 ordinary fully paid shares on behalf of the Depository Interest Holders.

### London Stock Exchange (AIM)

ORDINARY SHAREHOLDERS	NUMBER	% OF CAPITAL	DEPOSITORY INTEREST (DI) HOLDERS	NUMBER	% OF DI HOLDERS
CITICORP NOMINEES PTY LIMITED	62,146,003	5.13	AURORA NOMINEES LIMITED	232,036,432	22.85
UBS NOMINEES PTY LTD	32,011,311	2.64	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	138,775,000	13.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,876,694	1.06	STATE STREET NOMINEES LIMITED	120,629,158	11.88
MR DANIEL BARON DROGA + MRS LYNDELL DROGA	10,000,000	0.83	NORTRUST NOMINEES LIMITED	102,749,535	10.12
BT PORTFOLIO SERVICES LIMITED	9,177,756	0.76	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	38,016,811	3.74
BNP PARIBAS NOMS PTY LTD	8,323,461	0.69	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	34,006,102	3.35
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,810,678	0.56	NORTRUST NOMINEES LIMITED	32,505,400	3.20
CITICORP NOMINEES PTY LIMITED	5,375,000	0.44	PLATFORM SECURITIES NOMINEES LIMITED	27,653,787	2.72
PAUA PTY LTD	4,355,812	0.36	BNY (OCS) NOMINEES LIMITED	25,314,908	2.49
MR BRENDAN THOMAS BIRTHISTLE	3,010,181	0.25	GOLDMAN SACHS SECURITIES (NOMINEES) LIMITED	19,372,356	1.91
MR JOHN JOSEPH RYAN	2,326,709	0.19	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	19,299,042	1.90
CONNAUGHT CONSULTANTS (FINANCE) PTY LTD	2,145,333	0.18	W B NOMINEES LIMITED	17,028,943	1.68
PATRICK MCGRORY	1,730,426	0.14	HARGREAVES LANSDOWN (NOMINEES) LIMITED	14,618,459	1.44
MR STEPHEN JOHN BALDWIN + MRS ANDREA MAREE BALDWIN <SUPERFUND A/C>	1,545,453	0.13	HANOVER NOMINEES LIMITED	12,746,951	1.26
RYAN CONSTRUCTIONS PTY LIMITED	1,187,333	0.10	HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	12,430,492	1.22
BNP PARIBAS NOMINEES PTY LTD	1,149,866	0.09	NORTRUST NOMINEES LIMITED	11,023,168	1.09
MR ALAN FRANCIS WYLDE	1,065,927	0.09	JAMES CAPEL (NOMINEES) LIMITED	10,767,251	1.06
MR ROSS DONALD WHITEMAN	800,000	0.07	ING BANK N.V.	10,054,394	0.99
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	792,386	0.07	BARCLAYS DIRECT INVESTING NOMINEES LIMITED	9,795,945	0.96
NEDROW HOLDINGS PTY LTD	700,000	0.06	HARGREAVES LANSDOWN (NOMINEES) LIMITED	8,876,216	0.87

**Company Secretary**

Tom Rowe  
Matt Richardson

**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**

30 May 2019





eServGlobal