Appendix 4F

eServGlobal Limited

ABN 59 052 947 743

Change of balance date report
12 month period to 31 October 2017

The twelve-month period unaudited financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 31 October 2016 financial report.

Change of balance date report and appendix 4F
31 October 2017

Contents

ASX APPENDIX 4F

The following information for eServGlobal Limited is provided under Listing Rule 4.4A of the Listing Rules of the Australian Securities Exchange (“ASX”). The financial information provided in this Appendix 4F covers the consolidated Group, comprising eServGlobal Limited (the parent entity) and all entities that the Company controlled from time to time during the 12 month period and at reporting date (31 October 2017). The Company has since changed its reporting date to 31 December of each financial year. The date of this Appendix 4F is 28 December 2017.

1. The reporting period covers the 12 month period ended 31 October 2017 (“Reporting Period”).
2. Results for announcement to the market:

		Reporting Period	Movement from Previous Period	
2.1	Consolidated revenue from ordinary activities	$10,791	Decreased by $10,786	Decreased by 50%
2.2	Consolidated loss from ordinary activities after tax attributable to Members of the Company	$(30,840)	Increased by $8,902	Increased by 40.6%
2.3	Consolidated loss attributable to Members of the Company	$(30,840)	Increased by $8,902	Increased by 40.6%
2.4	No dividends were paid during the Reporting Period nor any proposed.			
2.5	There is no record date for determining dividends entitlements.			
2.6	All matters pertaining to the figures above are described elsewhere in this Appendix 4F and the unaudited consolidated financial statements for the Group attached to this Appendix 4F.			

3. The unaudited consolidated financial statements for the Group covering the Reporting Period and the Previous Period are attached to this Appendix 4F.
4. No dividends were paid during the Reporting Period or the Previous Period, nor are any proposed as at the date of this Appendix 4F.
5. The Company does not have a Dividend Reinvestment Plan as the date of this Appendix 4F.
6. The attached unaudited consolidated financial statements for the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”).
7. The attached unaudited consolidated financial statements for the Group have not and will not be audited or reviewed. The next set of consolidated financial statements for the Group that will be audited will cover the 14-month period ending 31 December 2017.
8. Not applicable.
9. Not applicable.

Condensed consolidated statement of loss and other comprehensive income for the year ended 31 October 2017 (Unaudited)

	Note	Consolidated Year ended 31 October 2017 $'000	 Year Ended 31 October 2016 $'000
Revenue		10,791	21,577
Cost of sales	2	(13,509)	(15,490)
Gross (loss) / profit		(2,717)	6,087
Foreign exchange (loss) gain		(68)	3,621
Research and development expenses		(146)	(1,284)
Sales and marketing expenses		(4,315)	(5,612)
Administration expenses	2	(12,527)	(9,148)
Share of loss of associate		(4,478)	(4,638)
Loss before interest expense, tax, depreciation and amortisation (EBITDA)		(24,252)	(10,974)
Amortisation expense		(3,612)	(2,970)
Depreciation expense		(70)	(87)
Loss before interest expense and tax		(27,934)	(14,031)
Finance costs		(2,302)	(7,115)
Loss before tax		**(30,236)**	**(21,146)**
Income tax expense		(592)	(596)
Loss for the period		**(30,828)**	**(21,742)**
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on the translation of foreign operations (nil tax impact)		238	(2,910)
Total comprehensive loss for the period		**(30,590)**	**(24,652)**
Loss attributable to:			
Equity holders of the parent		(30,840)	(21,938)
Non controlling interest		12	196
		(30,828)	**(21,742)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(30,602)	(24,813)
Non controlling interest		12	161
		(30,590)	**(24,652)**
Loss per share:			
Basic and diluted (cents per share)		**(4.8)**	**(6.0)**

Notes to the Financial Statements are included on pages 6 to 12

Condensed consolidated statement of financial position as at 31 October 2017 (Unaudited)

	Note	Consolidated 31 October 2017 $'000	31 October 2016 $'000
Current Assets			
Cash and cash equivalents		33,255	9,375
Trade receivables and work in progress	2	5,477	14,939
Inventories		110	72
Current tax assets		126	817
Other current assets		1,393	3,037
Total Current Assets		40,361	28,240
Non-Current Assets			
Investment in associate	10	21,613	24,986
Property, plant and equipment		136	32
Trade receivables	2	627	1,596
Deferred tax assets		780	1,062
Other intangible assets – capitalised development costs		4,411	5,598
Total Non-Current Assets		27,567	33,274
Total Assets		67,928	61,514
Current Liabilities			
Trade and other payables		9,229	11,488
Current tax payable		-	280
Provisions		943	1,009
Deferred revenue		1,640	1,692
Total Current Liabilities		11,812	14,469
Non-Current Liabilities			
Borrowings	5	19,075	11,759
Provisions		937	890
Deferred revenue		380	-
Total Non-Current Liabilities		20,392	12,649
Total Liabilities		32,204	27,118
Net Assets		35,724	34,396
Equity			
Issued capital	6	174,613	142,276
Reserves	7	(2,228)	(2,626)
Accumulated losses		(136,667)	(105,827)
Equity attributable to owners of the parent		35,718	33,823
Non controlling interest		6	573
Total Equity		35,724	34,396

Notes to the Financial Statements are included on pages 6 to 12

Condensed consolidated statement of changes in equity for the year ended 31 October 2017 (Unaudited)

	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
Consolidated							
Balance at 1 November 2016	142,276	(5,666)	3,040	(105,827)	33,823	573	34,396
Loss for the year	-	-	-	(30,840)	(30,840)	12	(30,828)
Exchange differences arising on translation of foreign operations	-	238	-	-	238	-	238
Total comprehensive income/(loss) for the year	-	238	-	(30,840)	(30,602)	12	(30,590)
Issue of new shares (net of costs) refer Note 6	32,337	-	-	-	32,337	-	32,337
Payment of dividends	-	-	-	-	-	(579)	(579)
Equity settled payments	-	-	160	-	160	-	160
Balance at 31 October 2017	174,613	(5,428)	3,200	(136,667)	35,718	6	35,724
Balance at 1 November 2015	116,074	(2,791)	2,965	(83,889)	32,359	412	32,771
Profit (loss) for the year	-	-	-	(21,938)	(21,938)	196	(21,742)
Exchange differences arising on translation of foreign operations	-	(2,875)	-	-	(2,875)	(35)	(2,910)
Total comprehensive income/(los) for the year	-	(2,875)	-	(21,938)	(24,813)	161	(24,652)
Issue of new shares	26,202	-	-	-	26,202	-	26,202
Equity settled payments	-	-	75	-	75	-	75
Balance at 31 October 2016	142,276	(5,666)	3,040	(105,827)	33,823	573	34,396

Notes to the Financial Statements are included on pages 6 to 12

Condensed consolidated statement of cash flows for the year ended 31 October 2017 (Unaudited)

	Note	Consolidated Year Ended 31 October 2017 $'000	Consolidated Year Ended 31 October 2016 $'000
Cash Flows from Operating Activities			
Receipts from customers		9,580	18,320
Payments to suppliers and employees		(15,732)	(29,470)
Refund of research & development tax credits		960	438
Interest and other costs of finance paid		-	(175)
Income tax (paid) / refund		(719)	(1,159)
Net cash used in operating activities		(5,911)	(12,046)
Cash Flows From Investing Activities			
Proceeds from HomeSend business divestment		-	5,133
Investment in HomeSend joint venture company		-	(3,905)
Payment for property, plant and equipment		(99)	(35)
Software development costs		(2,252)	(1,548)
Net cash used in investing activities		(2,351)	(355)
Cash Flows From Financing Activities			
Payment of dividends		(579)	-
Proceeds from issue of shares	6	34,347	16,609
Payment for share issue costs	6	(2,010)	(1,347)
Payment of debt restructuring costs		-	(3,250)
Proceeds from borrowings		-	6,834
Repayment of bank loan		-	(3,980)
Net cash from financing activities		31,758	17,866
Net Increase (Decrease) In Cash and Cash Equivalents		23,496	5,465
Cash At The Beginning Of The Period		9,375	4,976
Effects of exchange rate changes on the balance of cash held in foreign currencies		384	(1,066)
Cash and Cash Equivalents At The End Of The Period		33,255	9,375

Notes to the Financial Statements are included on pages 6 to 12

Notes to the condensed consolidated financial statements (unaudited)

1. Significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The twelve month period financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. 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 accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 31 October 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the twelve month period ended 31 October 2017 and are not expected to have any significant impact for the full financial year ending 31 December 2017.

The Group is currently in the process of assessing the possible impact of the applicable Accounting Standards and Interpretations issued but not yet effective.

Notes to the condensed consolidated financial statements

1. Significant accounting policies (continued)

(c) Going concern

The condensed consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 October 2017 reflects a loss after tax of $29.330 million and the condensed consolidated statement of cash flows reflects net cash outflows from operations of $5.911 million. The Directors have reviewed the cash flow forecast prepared by management for the period through to 31 December 2018. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period based on existing levels of business infrastructure cost outflows, the inflows from the recent fundraising (refer below) and expected timely completion, billing and collection of existing work in progress and trade receivable balances, and a probability assessment applied to new business pipeline opportunities. On this basis the Directors have prepared the financial statements on the going concern basis.

The Directors' assessment of the cash flow forecast includes the completion of the institutional component ("Institutional Offer") and retail component ("Retail Offer") of its 1 for 3 accelerated non-renounceable entitlement offer alongside a Firm placing to institutional and other investors ("Firm Placing") which was announced on 19 October 2017.

The Institutional and Firm Placing offer raised approximately $32.3 million net of expenses from subscriptions for new fully paid ordinary shares in the Company. The Retail Offer of which shares were issued subsequent to the Reporting Period raised a further $5.2 million for the Company.

The net proceeds from the Fundraising will be used in part to fund an expected 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 35 per cent ownership in the HomeSend JV. The proceeds will also be used to further support the rationalisation exercise within the core business, pay down all the Company's debt to strengthen the balance sheet and for general working capital purposes.

If the Group is unable to successfully generate its expected levels of operating performance and cash flows through to 31 October 2018 and/or if required, is unable to secure additional capital or alternative funding, significant uncertainty would exist as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and discharge its 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 not continue as a going concern.

Notes to the condensed consolidated financial statements (unaudited)

	31 October 2017 $'000	31 October 2016 $'000
2. Trade receivables and work in progress		
(a) Current trade receivables and work in progress		
Trade receivables	7,967	8,715
Less : Allowance for doubtful debts	(5,340)	(3,733)
	2,627	4,982
Work in progress	11,304	14,723
Less : Allowance for non-recoverability and losses	(8,454)	(4,766)
	2,850	9,957
	5,477	14,939
(b) Non-current trade receivables		
Trade receivables	627	1,596
Less : Allowance for doubtful debts	-	-
	627	1,596

The Group recognises an allowance for doubtful debts in relation to trade receivables whose collectability is considered doubtful. The Group also recognises allowance for non-recoverability and losses in relation to work in progress when there is evidence of dispute with the customers or where prolonged delays are encountered impacting project completion.

The Group's assessment is based on the knowledge of disputes at the reporting date and other relevant factors such as political or regulatory issues in the geographical location of the customer, as well as any change in the credit quality of the customer from the date credit was initially granted up to the reporting date.

Based on a detailed assessment by management, an impairment expense on trade receivables of $4.151 million charged to Administration Expenses (2016: $0.884 million), and on work in progress of $3.686 million (2016: $1.404 million) charged to Cost of Sales was recognised in profit or loss in the current year.

3. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in a single segment being the telecommunications software solutions business. Accordingly, all reported information in the financial report relates to this single segment.

Notes to the condensed consolidated financial statements (unaudited)

4. Issuances, repurchases and repayment of securities

228,978,720 new shares were issued during the twelve month period ended 31 October 2017 as part of the Institutional and Firm Placing offer. (2016: 374,410,000). Subsequent to 31 October 2017, the Company issued further 37,687,946 shares under Retail Offer. Refer Note 11 for details. There are no shares held in treasury.

The Company issued 6,000,000 share options over ordinary shares to its Executive Chairman and Chief Financial Officer at an option exercise price of $0.21 per share, and the vesting date being the earlier of 13 March 2019 or a change in control of the business or Company. The fair value of the share options at grant date was $0.03 per share.

The Company cancelled 3,325,000 expired share options over ordinary shares under its executive and employee share option plan during the twelve month period ended 31 October 2017.

No employee share options were exercised in the period (2016: nil).

5. Borrowings

	31 October 2017 $'000	31 October 2016 $'000
Interest bearing loan		
Non-current	19,075	11,759

Non-current borrowings represent loan from related party shareholders 1798 Volantis Fund Limited (formerly The AlphaGen Volantis Fund Limited) and 1798 Volantis Catalyst Fund Limited (formerly AlphaGen Volantis Catalyst Fund Limited). The total borrowings balance as at 31 October 2017 includes principal of $16.3 million (GBP 9.5 million), accrued interest of 1% per month compounded and impact of foreign exchange movement for the period.

Subsequent to 31 October 2017 the Company has fully repaid the outstanding loan and accrued interest. Refer Note 11 for more details.

6. Issued Capital

	31 October 2017 $'000	31 October 2016 $'000
869,162,716 (2016: 640,183,996) fully paid ordinary shares	174,613	142,276

	31 October 2017		31 October 2016	
	No. '000	$'000	No. '000	$'000
Ordinary Shares				
Balance at the beginning of the financial period	640,184	142,276	265,774	116,074
Shares issued in the period	228,979	34,347	374,410	27,549
Costs of share issue	-	(2,010)	-	(1,347)
Balance at the end of the financial period	869,163	174,613	640,184	142,276

Notes to the condensed consolidated financial statements (unaudited)

7. Reserves

	31 October 2017 $'000	31 October 2016 $'000
Employee equity-settled benefit	3,200	3,040
Foreign currency translation	(5,428)	(5,666)
	(2,228)	(2,626)

8. Financial Instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

The Group has no financial assets and financial liabilities that are measured at fair value as at 31 October 2017 (October 2016: nil).

8.2 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 following financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values:

	31 October 2017 $'000	31 October 2016 $'000
Financial assets		
Trade receivables - current and non-current	3,254	6,578
Cash and cash equivalents	33,255	9,375
Deposits and other assets	475	1,888
Financial liabilities		
Trade and other payables	9,229	11,488
Borrowings	19,075	11,759

9. Dividends

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

Notes to the condensed consolidated financial statements (unaudited)

10. Investment in associate

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

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			31 October 2017	**31 October 2016**
Homesend SRCL (a)	Provision of international mobile money services	Brussels, Belgium	35%	35%

a) HomeSend SRCL was formed on 3 April 2014. The Directors have determined that the Group exercises significant influence over HomeSend SRCL by virtue of its 35% voting power in shareholders meetings and its contractual right to appoint two out of six Directors to the board of Directors of that company. The associate is accounted for using the equity method in these condensed consolidated financial statements.

b) Reconciliation of the carrying amount of the investment in associate:

	31 October 2017 $000	31 October 2016 $000
Opening balance	24,986	31,473
Share of current period loss of the associate	(4,478)	(4,638)
Effects of foreign currency exchange movements	1,105	(1,849)
Closing balance	21,613	24,986

Notes to the condensed consolidated financial statements (unaudited)

11. Subsequent events

In connection with the Fundraising mentioned in note 1.c the following events happened after the balance sheet date of 31 October 2017:

The Retail Offer was strongly supported by the Company's retail shareholders. The Company received valid applications from Qualifying Holders for approximately 28,237,312 shares (approximately $4.37 million (€2.88 million)) representing 74.92% of the Retail Offer. The approximately 9,450,634 New Ordinary Shares not taken up by Qualifying Holders under the Retail Offer were allocated to an institutional investor who has agreed to subscribe for these Retail Offer Shares in the Clawback Placing. The Company has 906,850,662 Ordinary Shares in issue. There are no shares held in treasury.

On 1November 2017 part of funds raised were used to pay down all the Company's debt to strengthen the balance sheet totalling $19.1 million (€12.6 million).

On 27 November 2017, 4,000,000 employee share options were issued as part of the remuneration of senior management as approved by the shareholders at the Annual General Meeting of the Company on 13 March 2017.

On 19 December 2017, the Company participated in the HomeSend capital raise to maintain its 35% holding in the Joint Venture. The Company contributed $5.89million (€3.89million) towards the total $15.2million (€10million) capital raise, giving a total holding following the cash investment of 35.69% due to BICS not taking up their entitlement.