

Appendix 4E

Preliminary Final Report

for the 14-month period ended 31 December 2017

eServGlobal Limited

ABN 59 052 947 743

1. Reporting Period

Current reporting period: Financial period ended 31 December 2017 (14 months)

Previous reporting period: Financial year ended 31 October 2016 (12 months)

The Company has changed its reporting date to 31 December.

2. Results for announcement to the market

| Results | | | | AS '000 |
|---|---------------------|------|-----------------------------|----------------|
| Revenue | Down | 43 % | to | 12,240 |
| Loss after tax | Up | 71 % | to | (37,167) |
| Loss after tax attributable to members | Up | 70 % | to | (37,301) |
| Dividends (distributions) | Amount per security | | Franked amount per security | |
| <i>Current period</i> | | | | |
| Interim dividend | Nil ¢ | | 0% | |
| Final dividend | Nil ¢ | | 0% | |
| <i>Previous corresponding period</i> | | | | |
| Interim dividend | Nil ¢ | | 0% | |
| Final dividend | Nil ¢ | | 0% | |
| Record date for determining entitlements to the dividend. | N/A | | | |

Brief explanation of the figures above

The consolidated entity achieved sales revenue for the year of \$12.2 million (2016: \$21.5 million).

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) was a loss of \$29.6 million, inclusive of foreign exchange losses of \$0.3 million (2016: EBITDA loss of \$11.0 million inclusive of foreign exchange gains of \$3.6 million).

Based on a detailed assessment by management, an impairment expense on trade receivables of \$4.850 million charged to Administration Expenses (2016: \$0.884 million), and on work in progress of \$3.498 million (2016: \$1.404 million) charged to Cost of Sales was recognised in profit or loss in the current period.

The net result of the consolidated entity for the period to 31 December 2017 was a loss after tax and minority interest for the year of \$37.2 million (2016: loss after tax and minority interest of \$21.7 million). Included in this result was an income tax expense of \$0.7 million (2016: income tax expense of \$0.6 million). Loss per share was 6 cents (2016: loss per share 6.0 cents).

The operating cash flow for the period was a net outflow of \$14.6 million (2016: net outflow \$12.0 million). Total cash flow for the period was a 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 (2016: net inflow of \$5.5 million inclusive of net proceeds from the issue of shares of \$18.3 million and proceeds from borrowings of \$6.8 million, offset by payment of debt restructuring costs of \$3.3 million and repayment of borrowings of \$4 million). Cash at 31 December 2017 was \$10.8 million.

Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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

| | Note | Period Ended 31 Dec 2017 (14 Months) \$'000 | Year Ended 31 Oct 2016 (12 Months) \$'000 |
|--|------|--|--|
| Revenue | | 12,240 | 21,577 |
| Cost of sales | | (16,729) | (15,490) |
| Gross (loss)/profit | | (4,489) | 6,087 |
| Foreign exchange(loss)/gain | | (301) | 3,621 |
| Sales and marketing expenses | | (6,153) | (5,612) |
| Administration expenses | | (13,207) | (10,432) |
| Share of loss of associate | 10 | (5,491) | (4,638) |
| Loss before interest expense, tax, depreciation and amortisation (EBITDA) | | (29,641) | (10,974) |
| Amortisation expense | | (4,674) | (2,970) |
| Depreciation expense | | (81) | (87) |
| Loss before interest expense and tax | | (34,396) | (14,031) |
| Finance costs | 6 | (2,090) | (7,115) |
| Loss before tax | | (36,486) | (21,146) |
| Income tax expense | | (681) | (596) |
| Loss for the period | | (37,167) | (21,742) |
| Other comprehensive income (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) | | 1,263 | (2,910) |
| Total comprehensive loss for the period | | (35,904) | (24,652) |
| Loss attributable to: | | | |
| Equity holders of the parent | | (37,301) | (21,938) |
| Non controlling interest | | 134 | 196 |
| | | (37,167) | (21,742) |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the parent | | (36,038) | (24,813) |
| Non controlling interest | | 134 | 161 |
| | | (35,904) | (24,652) |
| Loss per share: | | | |
| Basic (cents per share) | | (0.06) | (0.06) |
| Diluted (cents per share) | | (0.06) | (0.06) |

4. Consolidated statement of financial position

| | Note | 31 Dec 2017 \$`000 | 31 Oct 2016 \$`000 |
|--|------|-----------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | 7 | 10,801 | 9,375 |
| Trade receivables and work in progress | 8 | 4,181 | 14,939 |
| Inventories | | 139 | 72 |
| Current tax assets | | 98 | 817 |
| Other current assets | 9 | 1,280 | 3,037 |
| Total Current Assets | | 16,499 | 28,240 |
| Non-Current Assets | | | |
| Investment in associate | 10 | 26,319 | 24,986 |
| Property, plant and equipment | | 127 | 32 |
| Trade receivables | | - | 1,596 |
| Deferred tax assets | | 1,071 | 1,062 |
| Other intangible assets - capitalised research & development | | 3,856 | 5,598 |
| Total Non-Current Assets | | 31,373 | 33,274 |
| Total Assets | | 47,872 | 61,514 |
| Current Liabilities | | | |
| Trade and other payables | | 8,798 | 11,488 |
| Current tax payables | | 53 | 280 |
| Provisions | | 999 | 1,009 |
| Deferred revenue | | 960 | 1,692 |
| Total Current Liabilities | | 10,810 | 14,469 |
| Non-Current Liabilities | | | |
| Borrowings | 11 | - | 11,759 |
| Provisions | | 777 | 890 |
| Total Non-Current Liabilities | | 777 | 12,649 |
| Total Liabilities | | 11,587 | 27,118 |
| Net Assets | | 36,285 | 34,396 |
| Equity | | | |
| Issued capital | 5.1 | 180,352 | 142,276 |
| Reserves | | (1,066) | (2,626) |
| Accumulated losses | | (143,128) | (105,827) |
| Equity attributable to owners of the parent | | 36,159 | 33,823 |
| Non controlling interest | | 127 | 573 |
| Total Equity | | 36,285 | 34,396 |

5. Consolidated statement of changes in equity

| | 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 |
|--|--------------------------|---|---|---------------------------------|--|--|-----------------|
| Balance at 31 October 2016 | 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 |
| Total comprehensive loss for the year (net of tax) | - | 1,263 | - | (37,301) | (36,038) | 134 | (35,904) |
| Issue of new shares, net of share issue costs (note 5.1) | 38,076 | - | - | - | 38,076 | - | 38,076 |
| Payment of dividends | - | - | - | - | - | (580) | (580) |
| Equity settled payments | - | - | 297 | - | 297 | - | 297 |
| Balance at 31 December 2017 | 180,352 | (4,403) | 3,337 | (143,128) | 36,158 | 127 | 36,285 |

| | 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 |
|--|--------------------------|---|---|---------------------------------|--|--|-----------------|
| Balance at 1 November 2015 | 116,074 | (2,791) | 2,965 | (83,889) | 32,359 | 412 | 32,771 |
| (Loss)/Profit for the year | - | - | - | (21,938) | (21,938) | 196 | (21,742) |
| Exchange differences arising on translation of foreign operations | - | (2,875) | - | - | (2,875) | (35) | (2,910) |
| Total comprehensive loss for the year (net of tax) | - | (2,875) | - | (21,938) | (24,813) | 161 | (24,652) |
| Issue of new shares, net of share issue costs (note 5.1) | 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 |

5.1 Issue of new shares

During the current period, the Company issued a total of 266,666,666 shares (2016: 374,409,944), for proceeds of \$38.076 million net of expenses (2016: \$26.202 million). As announced on 20 October 2017, 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 \$40.125 million for new fully paid ordinary shares in the Company at \$0.15 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 has also been used to further support the rationalisation exercise within the core business, pay down all the Group’s debt to strengthen the statement of financial position and for general working capital purposes.

| | 31 December 2017 (14 months) | 31 October 2016 (12 months) |
|---|--|---------------------------------------|
| 906,850,662 (2016 : 640,183,996) fully paid ordinary shares | 180,352 | 142,276 |
| | 31 December 2017 14 months | 31 October 2016 12 months |
| | No. '000 | No. '000 |
| | \$000 | \$000 |
| Ordinary shares | | |
| Balance at the beginning of the financial period | 640,184 | 142,276 |
| Shares issued in the period | 266,667 | 40,125 |
| Cost of share issue | - | (2,049) |
| Balance at the end of the financial period | 906,851 | 180,352 |
| | 31 December 2017 (14 months) | 31 October 2016 (12 months) |
| | \$000 | \$000 |
| Reconciliation of new shares issued : | | |
| Gross cash proceeds from issue of shares | 40,125 | 19,609 |
| Borrowing converted to equity | - | 7,940 |
| | 40,125 | 27,549 |
| Less : share issue costs | (2,049) | (1,347) |
| Net proceeds of share capital issued | 38,076 | 26,202 |

6. Finance Costs

| | Period Ended 31 Dec 2017 (14 Months) \$'000 | Year Ended 31 Oct 2016 (12 Months) \$'000 |
|---|--|--|
| Bank borrowings - interest | - | 90 |
| Other entities interest | - | 124 |
| Shareholder loans : | - | |
| Interest | 2,090 | 1,781 |
| Amortisation of establishment costs and premium | - | 413 |
| Amortisation of prepaid share option cost associated with the loan | - | 453 |
| Debt restructuring fees | - | 3,250 |
| Loss on extinguishment of borrowings | - | 1,004 |
| | 2,090 | 7,115 |

7. Consolidated statement of cash flows

| | | 31 Dec 2017 (14 Months) \$`000 | 31 Oct 2016 (12 Months) \$`000 |
|---|------|--------------------------------------|--------------------------------------|
| | Note | | |
| Cash Flows From Operating Activities | | | |
| Receipts from customers | | 16,429 | 18,320 |
| Payments to suppliers and employees | | (29,216) | (29,470) |
| Refund of research & development tax credits | | 1,037 | 438 |
| Interest and other costs of finance paid | | (2,735) | (175) |
| Income tax (paid) / refund | | (132) | (1,159) |
| Net cash used in operating activities | 7.1 | <u>(14,617)</u> | <u>(12,046)</u> |
| Cash Flows From Investing Activities | | | |
| Proceeds from HomeSend business divestment | | - | 5,133 |
| Investment in HomeSend joint venture Company | | (6,190) | (3,905) |
| Payment for property, plant and equipment | | (99) | (35) |
| Software development costs | | (2,722) | (1,548) |
| Net cash used in investing activities | | <u>(9,011)</u> | <u>(355)</u> |
| Cash Flows From Financing Activities | | | |
| Payment of dividends to minority shareholder in subsidiary | | (581) | - |
| Proceeds from issues of shares | 5.1 | 40,125 | 19,609 |
| Payment for share issue costs | 5.1 | (2,049) | (1,347) |
| Payment of debt restructuring costs | | - | (3,250) |
| Proceeds from borrowings | | 4,300 | 6,834 |
| Repayment of borrowings | | (16,341) | (3,980) |
| Net cash from financing activities | | <u>25,454</u> | <u>17,866</u> |
| Net Increase In Cash and Cash Equivalents | | 1,826 | 5,465 |
| Cash At The Beginning Of The Period | | 9,375 | 4,976 |
| Effects of rate changes on the balance of cash held in foreign currencies | | (400) | (1,066) |
| Cash and Cash Equivalents At The End Of The Period | | <u>10,801</u> | <u>9,375</u> |

7.1 Notes to the consolidated statement of cash flows

| | 31 Dec 2017 (14 Months) \$'000 | 31 Oct 2016 (12 Months) \$'000 |
|---|--------------------------------------|--------------------------------------|
| a) Reconciliation of cash | | |
| Cash and cash equivalents | 10,801 | 9,375 |
| b) Reconciliation of loss for the period to net cash flows from operating activities | | |
| Loss for the period | (37,167) | (21,742) |
| Depreciation of non current assets | 81 | 87 |
| Amortisation of non current assets | 4,674 | 2,970 |
| Foreign exchange, including changes in foreign currency net assets and liabilities | 912 | (4,020) |
| Equity settled shared-based payments | 297 | 75 |
| Non cash finance cost | | 3,651 |
| Non-operating finance cost | - | 3,250 |
| Share of loss of associate | 5,491 | 4,638 |
| (Increase)/decrease in current income tax balances | 492 | (665) |
| Increase/(decrease) in deferred tax balances | (9) | (86) |
| (Increase)/decrease in assets : | | |
| Trade receivables, work in progress and other assets | 14,111 | 1,561 |
| Inventories | (67) | (6) |
| Increase/(decrease) in liabilities : | | |
| Trade and other payables | (2,690) | (1,794) |
| Provisions | (10) | (371) |
| Other liabilities | (732) | 406 |
| Net cash used in operating activities | (14,617) | (12,046) |

8. Trade receivables and work in progress

| | 31 Dec 2017 | 31 Oct 2016 |
|---|-------------|-------------|
| | \$`000 | \$`000 |
| (a) Current trade receivables and work in progress | | |
| Trade receivables | 8,454 | 8,715 |
| Less : Allowance for doubtful debts | (5,764) | (3,733) |
| | 2,690 | 4,982 |
| Work in progress | 3,336 | 14,723 |
| Less : Allowance for non-recoverability and losses | (1,845) | (4,766) |
| | 1,491 | 9,957 |
| | 4,181 | 14,939 |
| (b) Non-current trade receivables | | |
| Trade receivables | - | 1,596 |
| Less : Allowance for doubtful debts | - | - |
| | - | 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 \$4.850 million charged to Administration Expenses (2016: \$0.884 million), and on work in progress of \$3.498 million (2016: \$1.404 million) charged to Cost of Sales was recognised in profit or loss in the current period.

9. Other assets

| | 31 Dec 2017 | 31 Oct 2016 |
|-----------------------------------|-------------|-------------|
| | \$`000 | \$`000 |
| Prepayments | 827 | 1,149 |
| Deposits and other current assets | 453 | 1,888 |
| | 1,280 | 3,037 |

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 December 2017 | 31 October 2016 |
| Homesend SCRL (i) | Provision of international mobile money services | Brussels, Belgium | 35.69% | 35% |

(i) HomeSend SCRL was formed on 3 April 2014. The directors have determined that the Group exercises significant influence over HomeSend SCRL by virtue of its 35.69 % voting power in shareholders meetings and its contractual right to appoint two out of six directors to the board of directors of that company. The associate is accounted for using the equity method.

(ii) Reconciliation of the carrying amount of the investment in associate :

| | 31 Dec 2017 \$'000 | 31 Oct 2016 \$'000 |
|--|-----------------------|-----------------------|
| Opening balance | 24,986 | 31,473 |
| Investment in associate | 6,190 | - |
| Share of current period loss of the associate | (5,491) | (4,638) |
| Effects of foreign currency exchange movements | 634 | (1,849) |
| Closing balance | 26,319 | 24,986 |

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% dueto BICS not taking up their entitlement.

On 5th October 2015 the Company agreed to invest additional \$5.258 million with full voting rights, in the HomeSend joint venture Company. The Company paid \$1.353 million on 14th October 2015 and the balance of \$3.905million was paid on 3rd April 2016.

11. Borrowings

| | 31 Dec 2017 \$'000 | 31 Oct 2016 \$'000 |
|---------------------------------------|-----------------------|-----------------------|
| Interest bearing secured loans | | |
| Non-current | - | 11,759 |

During the current period, the Company repaid the total loan and accrued interests from the cash proceeds raised through shares issued. Refer to note 5.1 for details of share issue.

12. Net Tangible Assets per security

| | 31 December 2017 | 31 October 2016 |
|----------------------------------|------------------|-----------------|
| Net tangible assets per security | 3.6 cents | 4.5 cents |

13. Dividends

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

There are no Dividend Reinvestment Plans.

14. Control gained over entities

N/A

14.1 Loss of control over entities

N/A

15. Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial period 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.

16. Commentary on Results for the Period

Refer to the explanation of results in Section 2.

17. Accounts

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

Director

Print name: JOHN CONOLEY

Date: 28 February 2018