eServGlobal Limited (eServGlobal or the “Company”)

Preliminary Final Report (App 4E) & Results Commentary for FY18

28 February 2019

eServGlobal (LSE: ESG.L & ASX: ESV.AX), a pioneering digital transactions technology company, announces its preliminary results and ASX Appendix 4E for the financial year ended 31 December 2018 (FY18).

Operational highlights

- HomeSend achieved significant milestones throughout the year, adding account-to-account transactions and business-to-business disbursements, tapping new, large markets and increasing average transaction value by 35%
- Live Mastercard Send Cross-Border transactions now flowing across the hub
- More than 50 implementations ongoing as at December 2018
- The core business has secured several multi-year contracts, both in FY18 and in the first weeks of FY19

Financial Highlights

- Revenue of A$11.2m (€7.1m) compared to the prior year of A$12.2m (€8.3m), with over €2.6m of delayed contracts already secured in the first weeks of 2019
- Gross profit has improved by A$8.0m (€4.9m), from $4.5m (€2.6m) loss in FY17 to A$3.5m (€2.3m) profit in FY18
- Breakeven for 2019 has further reduced and is expected to be around A$16m (€10m) due to the continued progress on right-sizing the cost base
- Adjusted EBITDA loss for the core business of A$6.2m (€3.9m) after excluding the share of HomeSend losses of A$6.2m (€3.9m) as well as debtor and work in progress provisions of A$0.7m (€0.4m) made after impairment re-assessment of prudent provisioning policies*
- The Company remains debt free with cash and cash equivalents at 31 December 2018 of A$27.4m (€17.3m).
- Raised a total of A$33.4m (£19.0m) (gross of expenses) through an Institutional Offer and Placing issuing 304,000,000 million ordinary shares

Summary Financials	FY18	FY18	FY17	FY17
	Full Year	Full Year	14 months	14 months
	A$m	€m+	A$m	€m+
Revenue	**11.2**	**7.1**	**12.2**	**8.3**
Cost of Sales	(7.7)	(4.8)	(16.7)	(10.9)
Gross Profit	**3.5**	**2.3**	**(4.5)**	**(2.6)**
Reported EBITDA	**(13.6)**	**(8.6)**	**(29.6)**	**(20.2)**
Adjusted EBITDA*	**(6.2)**	**(3.9)**	**(15.2)**	**(10.4)**
Net Interest	(0.3)	(0.2)	(2.1)	(1.4)
Amortization	(2.9)	(1.8)	(4.7)	(3.2)
Depreciation	(0.1)	(0.1)	(0.1)	(0.1)
Reported PBT	**(16.8)**	**(10.6)**	**(36.5)**	**(24.9)**
Adjusted PBT*	**(9.4)**	**(5.9)**	**(22.1)**	**(15.1)**
Income Tax	(1.3)	(0.8)	(0.7)	(0.5)
Reported PAT	**(18.1)**	**(11.4)**	**(37.2)**	**(25.4)**
Adjusted PAT*	**(10.7)**	**(6.8)**	**(22.8)**	**(15.6)**

+Average exchange rate was 0.6317 EUR to AUD (FY17 0.6821)
* Excludes equity-accounted share of HomeSend loss of A$6.2m (FY2017 A$5.5m), foreign exchange losses of A$0.1m (FY17 gain of A$0.3m), non-recurring costs of nil (FY17 – nil), share based payments of A$0.4m (FY17 A$0.3m), and debtor and work in progress provisions made after impairment re-assessment of prudent provisioning policies of A$0.7m (FY17 A$8.3m)
Note: numbers in summary financials may not necessary total due to rounding

John Conoley, eServGlobal Executive Chairman, said, "'Our HomeSend Joint Venture has made clear progress, which was evidenced particularly in the second half of FY18. The Board of eServGlobal is please to confirm that, through our recent HomeSend Performance Update (19 February) the hub achieved several significant milestones throughout the year, namely the first account-to-account and business-to-business transactions, leading to a 35% increase in the average transaction value. Additionally, HomeSend has commenced processing transactions from Mastercard Send Cross-Border from a very small number of implementations."

"In the core business our customer base is stable and during the year we secured several 3-year contracts, contributing to our growing recurring and deferred revenue. These contracts are a sign of the continued belief and investment in our technology from our customer base. We continue to focus on resolving issues of timing which affected our revenue in 2018."

About eServGlobal
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.

For further information, please contact:

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OPERATIONAL REVIEW

HomeSend | Global Payments Hub

During 2018, the foundations were established for HomeSend to deliver Mastercard Send Cross Border transactions for, principally, bank partners. HomeSend has expanded its focus from the P2P (person-to-person) remittance market to facilitating cross-border transactions for A2A (account-to-account) flows for businesses and cross-border bank transfers.

Recent research from McKinsey & Co estimates the total volume of cross-border payments at US$127 trillion.[i] With continuing investment in its network, HomeSend is positioning itself to provide a unique proposition in this market, particularly within cross-border bank transfers under the umbrella of Mastercard Send Cross-Border, a market which is characterised to date by inefficient and costly transactions which lack transparency.

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

HomeSend operates within a space that has seen ongoing and increasing investor interest, including recent corporate activity in respect to Earthport and TransferWise.

eServGlobal | Digital Financial Transactions Technology

During FY18, eServGlobal's core business made continued progress on cost-reduction while solidifying relationships with existing customers, securing several multi-year contracts. eServGlobal has a stable installed customer-base across 18 countries, generating increasing recurring revenue and project work.

As reported in the December 2018 Trading Update, revenue in FY18 fell short of market expectations. Several contracts with key customers, which had been expected in Q4 were delayed, three of which were secured in the first weeks of FY19.

The core business remains debt-free, with a much-reduced cost-base and a strong pipeline. The progress made has positioned the business as a valuable asset either inside the group or externally. The Board continues to evaluate all options, discussions remain active with interested parties.

The Company continues to pursue opportunities to right size the business, commencing FY19 with an annualised cost base of approximately $A16m (€10m), compared to $A20.3m (€12.8m) in FY18.

The Company continues to find traction with its installed base of top-up customers. Industry body, the GSMA estimates that approximately 75% of subscribers worldwide are prepaid and expects that the next billion mobile users will come from emerging markets, where prepaid continues to dominate. eServGlobal's Voucher and Electronic Recharge solutions are market-proven, telco-grade solutions adopted by Tier-1 operators across the developing world. During FY18, the Company secured several 3-year contracts for recharge platforms.

FINANCIAL REVIEW

The consolidated entity achieved sales revenue for the year of $11.2 million (2017: $12.2 million for 14 months).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was a loss of $13.6 million, inclusive of foreign exchange losses of $0.07 million (2017: EBITDA loss of $29.6 million inclusive of foreign exchange gains of $0.3 million).

Based on a detailed assessment by management, a net impairment expense on trade receivables of $0.330 million was charged to Administration Expenses (2017: $4.850 million), and impairment on contract assets of $ 0.358 million (2017: $3.498 million) was charged to Cost of Sales in the statement of profit or loss in the current year.

The net result of the consolidated entity for the year to 31 December 2018 was a loss after tax and minority interest for the year of $18.1 million (2017. loss after tax and minority 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 cents (2017: loss per share 6.0 cents).

The operating cash flow for the year was a net outflow of $9.3 million (2017: net outflow $14.6 million). Total cash flow for the year was a net inflow of $16.8 million inclusive of net proceeds from the issue of shares of $32.0 million, (2017: net inflow of $1.8 million inclusive of net proceeds from the issue of shares of $38.1 million and proceeds from borrowings of $4.3 million and repayment of borrowings of $16.3 million). Cash at 31 December 2018 was $27.5 million.

OUTLOOK

With more than 50 implementations underway as at December 2018, HomeSend is poised to see strong progress on its transition to the banking market in 2019.

The Company continues its efforts to position the core business as an asset, either within the Group or to an external party. eServGlobal entered 2019 with a strong pipeline and a significant backlog of work to deliver. The progress on right-sizing the cost base will continue and will help the business to break-even.

The Board would like to thank shareholders for their continued support and eServGlobal's employees for their continued hard work and dedication to the Company.

Appendix 4E

eServGlobal Limited

ABN 59 052 947 743

Preliminary Final Report

for the year ended 31 December 2018

1. Reporting Period

Current reporting period: Financial year ended 31 December 2018 (12 months)

Previous reporting period: Financial period ended 31 December 2017 (14 months)
The Company changed its reporting date to December from October in 2017

2. Results for announcement to the market

Results				**A$ '000**
Revenue	Down	9 %	to	11,185
Loss after tax	Down	51 %	to	(18,080)
Loss after tax attributable to members	Down	51 %	to	(18,196)

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Interim dividend	Nil ¢	0%
Final dividend	Nil ¢	0%
Previous corresponding period		
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 $11.2 million (2017: $12.2 million for 14 months).

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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 of the Group in future financial years.

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

	Note	Year Ended 31 Dec 2018 (12 Months) $`000	Period Ended 31 Dec 2017 (14 Months) $`000
Revenue		**11,185**	**12,240**
Cost of sales		(7,663)	(16,729)
Gross profit / (loss)		**3,522**	**(4,489)**
Foreign exchange(loss)/gain		(70)	(301)
Sales and marketing expenses		(756)	(6,153)
Administration expenses		(10,034)	(13,207)
Share of loss of associate	**9**	(6,232)	(5,491)
Loss before interest expense, tax, depreciation and amortisation (EBITDA)		**(13,570)**	**(29,641)**
Amortisation expense		(2,883)	(4,674)
Depreciation expense		(87)	(81)
Loss before interest expense and tax		**(16,540)**	**(34,396)**
Finance costs		(277)	(2,090)
Loss before tax		**(16,817)**	**(36,486)**
Income tax expense		(1,263)	(681)
Loss for the year / period		**(18,080)**	**(37,167)**
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)		4,641	1,263
Total comprehensive loss for the period		**(13,439)**	**(35,904)**
Loss attributable to:			
Equity holders of the parent		(18,196)	(37,301)
Non-controlling interest		116	134
		(18,080)	**(37,167)**
		-	
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		(13,555)	(36,038)
Non-controlling interest		116	134
		(13,439)	**(35,904)**
Loss per share:		-	
Basic (cents per share)		**(0.02)**	**(0.06)**
Diluted (cents per share)		**(0.02)**	**(0.06)**

4. Consolidated statement of financial position

	Note	31 Dec 2018 $`000	31 Dec 2017 $`000
Current Assets			
Cash and cash equivalents		27,451	10,801
Trade receivables and contract assets	**7**	4,159	4,181
Inventories		28	139
Current tax assets		37	98
Other current assets	**8**	1,408	1,280
Total Current Assets		**33,083**	**16,499**
Non-Current Assets			
Investment in associate	**9**	25,791	26,319
Property, plant and equipment		257	127
Non-current tax assets		238	1,071
Other intangible assets - capitalised development costs		3,294	3,856
Total Non-Current Assets		**29,580**	**31,373**
Total Assets		**62,663**	**47,872**
Current Liabilities			
Trade and other payables		4,085	8,798
Current tax payables		1,046	53
Provisions		1,112	999
Contract Liabilities		595	960
Total Current Liabilities		**6,838**	**10,810**
Non-Current Liabilities			
Provisions		717	777
Total Non-Current Liabilities		**717**	**777**
Total Liabilities		**7,555**	**11,587**
Net Assets		**55,108**	**36,285**
Equity			
Issued capital	**5.1**	212,326	180,352
Reserves		3,986	(1,066)
Accumulated losses		(161,324)	(143,128)
Equity attributable to owners of the parent		**54,988**	**36,159**
Non-controlling interest		120	127
Total Equity		**55,108**	**36,285**

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 December 2017	180,352	(4,403)	3,337	(143,128)	36,158	127	36,285
Loss for the year	-	-	-	-	(18,196)	116	(18,080)
Exchange differences arising on translation of foreign operations	-	4,641	-	-	4,641	-	4,641
Total comprehensive income /(loss) for the year (net of tax)	**-**	**4,641**	**-**	**(18,196)**	**(13,555)**	**116**	**(13,439)**
Issue of new shares, net of share issue costs (note 5.1)	31,974	-	-	-	31,974	-	31,974
Payment of dividends	-	-	-	-	-	(123)	(123)
Equity settled payments	-	-	411	-	411	-	411
Balance at 31 December 2018	**212,326**	**238**	**3,748**	**(161,324)**	**54,988**	**120**	**55,108**

	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 income /(loss) for the period (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**

5.1 Issue of new shares

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 $33.440 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 (12 months) $000	**31 December 2017** (14 months) $000
1,210,851,000 (2017: 906,850,662) fully paid ordinary shares	212,326	180,352

	31 December 2018 (12 months)		**31 December 2017** (14 months)	
	No. '000	$000	No. '000	$000
Ordinary shares				
Balance at the beginning of the financial year / period	906,851	180,352	640,184	142,276
Shares issued in the period	304,000	33,440	266,667	40,125
Cost of share issue	-	(1,466)	-	(2,049)
Balance at the end of the financial year / period	1,210,851	212,326	906,851	180,352

	31 December 2018 (12 months)	**31 December 2017** (14 months)
Reconciliation of new shares issued:	$000	$000
Gross cash proceeds from issue of shares	33,440	40,125
Less: share issue costs	(1,466)	(2,049)
Net proceeds of share capital issued	31,974	38,076

6. Consolidated statement of cash flows

	Note	31 Dec 2018 (12 Months) $`000	31 Dec 2017 (14 Months) $`000
Cash Flows from Operating Activities			
Receipts from customers		13,046	16,429
Payments to suppliers and employees		(23,269)	(29,216)
Refund of research & development tax credits		764	1,037
Interest and other costs of finance paid		(688)	(2,735)
Income tax refund / (paid)		96	(132)
Net cash used in operating activities		(10,051)	(14,617)
Cash Flows from Investing Activities			
Investment in HomeSend joint venture Company		(3,506)	(6,190)
Payment for property, plant and equipment		(134)	(99)
Software development costs		(2,180)	(2,722)
Net cash used in investing activities		(5,820)	(9,011)
Cash Flows from Financing Activities			
Payment of dividends to minority shareholder in subsidiary		(124)	(581)
Proceeds from issues of shares	**5.1**	33,440	40,125
Payment for share issue costs	**5.1**	(1,466)	(2,049)
Proceeds from borrowings		-	4,300
Repayment of borrowings		-	(16,341)
Net cash from financing activities		31,850	25,454
Net Increase in Cash and Cash Equivalents		**15,979**	**1,826**
Cash at The Beginning of The Year / Period		**10,801**	**9,375**
Effects of rate changes on the balance of cash held in foreign currencies		671	(400)
Cash and Cash Equivalents at The End of The Year / Period		**27,451**	**10,801**

7. Trade receivables and contract assets

	31 Dec 2018 $`000	31 Dec 2017 $`000
Trade receivables and contract assets		
Trade receivables	2,934	8,454
Less: Credit loss allowance	(945)	(5,764)
	1,989	**2,690**
Contract assets (work in progress)	2,527	3,336
Less: Credit loss allowance	(357)	(1,845)
	2,170	**1,491**
Total	**4,159**	**4,181**

Following the adoption of AASB 9 'Financial Instruments' in the current year, the Group has recognized the credit loss allowance in relation to trade receivables and contract assets based on the application of the simplified approach to recognise lifetime expected credit loss ("ECL") in the Standard.

Based on a detailed assessment by management, a credit loss allowance on trade receivables of $ 0.330 million charged to Administration Expenses and on contract assets of $ 0.358 million to Cost of Sales was recognised in profit or loss in the current period.

During the 2018 financial year, settlements were reached with two customers in relation to two legal claims brought about by the Company, with a total value of $1.486 million ($0.862 million and $0.624 million respectively). The settlements resulted in the write back of provisions that had been made against the 2017 trade receivables balance, recognised in Administration expenses in the 2018 statement of profit or loss.

8. Other assets

	31 Dec 2018 $`000	31 Dec 2017 $`000
Prepayments	551	827
Deposits and other current assets	856	453
	1,408	**1 ,280**

9. 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 2018	31 December 2017
HomeSend SCRL(i)	Provision of international mobile money services	Brussels, Belgium	35.69%	35.69%

(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 2018 $`000	31 Dec 2017 $`000
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
Closing balance	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 $3.54 million (€5.89million) towards the total $9.94 million (€15.2 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).

10. Net Tangible Assets per security

	31 December 2018	31 December 2017
Net tangible assets per security	4.3 cents	3.6 cents

11. 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.

12. Control gained over entities

N/A

13. Loss of control over entities

Closure of the eServGlobal NV affiliate on October 30, 2018
Closure of the New Zeeland branch on August 22, 2018

14. 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.

15. Commentary on Results for the Period

Refer to the explanation of results in Section 2.

16. Accounts

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

Director

Print name: JOHN CONOLEY Date: 28 February 2019