

# **Appendix 4E**

## **Preliminary Final Report**

**for the year ended 31 October 2014**

**eServGlobal Limited**

**ABN 59 052 947 743**

## 1. Reporting Period

Current reporting period : Financial year ended 31 October 2014

Previous reporting period : Financial year ended 31 October 2013

## 2. Results (unaudited) for announcement to the market

Results				A\$ '000
Revenue	Up	0.8%	to	31,261
Profit/(Loss) after tax	Up	37.3%	to	14,240
Profit/(Loss) after tax attributable to members	Up	37.6%	to	14,102
Dividends (distributions)		Amount per security	Franked amount per security	
<b>Current period</b>				
Interim dividend		Nil ¢	0%	
Final dividend		Nil ¢	0%	
<b>Previous corresponding period</b>				
Interim dividend		Nil ¢	0%	
Final dividend		Nil ¢	0%	
Record date for determining entitlements to the dividend.		-		

**Brief explanation of the figures above**

The consolidated entity achieved sales revenue for the year of \$31.3 million (2013: \$31.0 million).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was \$28.6 million after foreign exchange losses of \$0.4 million and share based payments of \$0.4 million (2013: EBITDA was \$7.3 million after foreign exchange gains of \$8.0 million and share based payments of \$0.5 million).

The net result of the consolidated entity for the year to 31 October 2014 was a profit after tax and minority interest for the period of \$14.2 million (2013: \$10.4 million). Included in this result was an income tax expense of \$13.5 million (2013: income tax credit of \$5.9 million). Earnings per share were 5.6 cents (2013: 4.3 cents).

The operating cash flow for the year was a net outflow of \$4.1 million (2013: \$8.7 million). Total cash flow for the period was a net outflow of \$1.3 million (2013: net inflow of \$0.9 million). Cash at 31 October 2014 was \$3.7 million.

**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.

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

		Year Ended 31 Oct 2014 \$'000	Year Ended 31 Oct 2013 \$'000
	Note		
<b>Revenue</b>		31,261	31,003
Cost of sales		(13,359)	(11,789)
Gross profit		17,902	19,214
Interest income		30	55
Gain recognised on disposal of HomeSend business	9	31,684	-
Foreign exchange (loss)/ gain		(449)	8,024
Research and development expenses		(2,151)	(2,717)
Sales and marketing expenses		(5,218)	(4,683)
Administration expenses		(10,900)	(12,614)
Share of loss of associate	10	(2,275)	-
<i>Earnings before interest expense, tax, depreciation and amortisation</i>		28,623	7,279
Amortisation expense		-	(1,875)
Depreciation expense		(584)	(468)
<i>Earnings before interest expense and tax</i>		28,039	4,936
Interest expense		(284)	(441)
<b>Profit before tax</b>		<b>27,755</b>	<b>4,495</b>
Income tax credit/(expense)		(13,515)	5,879
<b>Profit for the year</b>		<b>14,240</b>	<b>10,374</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations (nil tax impact)		(471)	(4,475)
<b>Total comprehensive income for the year</b>		<b>13,769</b>	<b>5,899</b>
<b>Profit attributable to:</b>			
Equity holders of the parent		14,102	10,248
Non controlling interest		138	126
		<b>14,240</b>	<b>10,374</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		13,599	5,784
Non controlling interest		170	115
		<b>13,769</b>	<b>5,899</b>
<b>Earnings per share:</b>			
Basic (cents per share)		<b>5.6</b>	<b>4.3</b>
Diluted (cents per share)		<b>5.5</b>	<b>4.2</b>

#### 4. Consolidated statement of financial position

	Note	31 Oct 2014 \$'000	31 Oct 2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		3,679	4,909
Trade and other receivables		27,604	21,846
Inventories		173	74
Current tax assets		98	4,272
		31,554	31,101
Assets classified as held for sale		-	7,754
<b>Total Current Assets</b>		31,554	38,855
<b>Non-Current Assets</b>			
Investment in associate	10	27,777	-
Property, plant and equipment		3	482
Deferred tax assets		1,701	10,325
Goodwill		3,568	3,523
Other intangible assets	7	5,443	-
Other receivables	9(a)	4,939	-
<b>Total Non-Current Assets</b>		43,431	14,330
<b>Total Assets</b>		74,985	53,185
<b>Current Liabilities</b>			
Trade and other payables		11,512	8,143
Borrowings		3,000	3,000
Current tax payables		2,023	150
Provisions		1,174	1,800
Deferred revenue		1,117	1,989
<b>Total Current Liabilities</b>		18,826	15,082
<b>Non-Current Liabilities</b>			
Provisions		865	749
<b>Total Non-Current Liabilities</b>		865	749
<b>Total Liabilities</b>		19,691	15,831
<b>Net Assets</b>		55,294	37,354
<b>Equity</b>			
Issued capital	5, 6	110,574	106,695
Reserves	5	(4,155)	(4,090)
Accumulated Losses		(51,349)	(65,451)
Parent entity interest		55,070	37,154
Non controlling interest		224	200
<b>Total Equity</b>		55,294	37,354

## 5. Consolidated statement of changes in equity

	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Employee equity- settled benefits Reserve \$'000	Accumu- lated Losses \$'000	Attributable to owners of the parent \$'000	Non controlling Interest \$'000	Total \$'000
Balance at 1 November 2013	106,695	(6,563)	2,473	(65,451)	37,154	200	37,354
Profit for the year	-	-	-	14,102	14,102	138	14,240
Exchange differences arising on translation of foreign operations	-	(503)	-	-	(503)	32	(471)
Total comprehensive income for the year (net of tax)	-	(503)	-	14,102	13,599	170	13,769
Issue of new shares (Note 6)	3,879	-	-	-	3,879	-	3,879
Payment of dividends	-	-	-	-	-	(146)	(146)
Equity settled payments	-	-	438	-	438	-	438
<b>Balance at 31 October 2014</b>	<b>110,574</b>	<b>(7,066)</b>	<b>2,911</b>	<b>(51,349)</b>	<b>55,070</b>	<b>224</b>	<b>55,294</b>
Balance at 1 November 2012	90,770	(2,099)	2,017	(75,699)	14,989	85	15,074
Profit for the year	-	-	-	10,248	10,248	126	10,374
Exchange differences arising on translation of foreign operations	-	(4,464)	-	-	(4,464)	(11)	(4,475)
Total comprehensive income for the year (net of tax)	-	(4,464)	-	10,248	5,784	115	5,899
Issue of new shares (Note 6)	15,925	-	-	-	15,925	-	15,925
Equity settled payments	-	-	456	-	456	-	456
<b>Balance at 31 October 2013</b>	<b>106,695</b>	<b>(6,563)</b>	<b>2,473</b>	<b>(65,451)</b>	<b>37,154</b>	<b>200</b>	<b>37,354</b>

## 6. Issue of new shares

During the current year the company issued a total of 5,928,055 shares (2013: 52,198,291), raising a total of \$3.879 million net of expenses (2013: \$15.925 million).

A total of 4,500,000 shares were issued by way of a broker managed placement of shares to Australian investors at an issue price of \$0.75 per share, raising a total of \$3.365 million net of expenses.

1,428,055 shares were issued during the year through the exercise of employee share options at an option price of \$0.36 per share, raising \$0.514 million.

## 7. Other intangible assets

During the financial year eServGlobal commenced development of a new technology platform designed to strengthen the company's position as the leading mobile money solution provider. The development costs incurred in the year of \$5.443 million have been capitalised.

## 8. Consolidated statement of cash flows

	Year Ended 31 Oct 2014 \$'000	Year Ended 31 Oct 2013 \$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	24,290	23,851
Payments to suppliers and employees	(30,100)	(31,058)
Refund of research & development tax credits	2,738	-
Interest and other finance cost paid	(282)	(591)
Income tax paid	(720)	(1,088)
Net cash used in operating activities	(4,074)	(8,886)
<b>Cash Flows From Investing Activities</b>		
Proceeds from HomeSend business divestment, net of transaction costs	5,418	-
Interest received	11	11
Payment for property, plant and equipment	(76)	(111)
Software development costs	(6,327)	(1,839)
Net cash used in investing activities	(974)	(1,939)
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of shares	3,889	16,802
Payment for share issue costs	(10)	(877)
Dividend paid by controlled entity to non-controlling interest	(146)	-
Proceeds from borrowings	-	3,000
Repayment of borrowings	-	(7,200)
Net cash provided by financing activities	3,733	11,725
<b>Net (decrease)/ increase in Cash and Cash Equivalents</b>	(1,315)	900
<b>Cash At The Beginning Of The Year</b>	4,909	3,794
Effects of exchange rate changes on the balance of cash held in foreign currencies	85	215
<b>Cash and Cash Equivalents At The End Of The Year</b>	3,679	4,909

## 8.1 Notes to the consolidated statement of cash flows

	31 Oct 2014 \$'000	31 Oct 2013 \$'000
<b>a) Reconciliation of cash</b>		
Cash and cash equivalents	3,679	4,909
	Year Ended 31 Oct 2014 \$'000	Year Ended 31 Oct 2013 \$'000
<b>b) Reconciliation of profit for the year to net cash flows from operating activities</b>		
Profit for the year	14,240	10,374
Interest received	(11)	(11)
Depreciation of non-current assets	584	468
Amortisation of non-current assets	-	1,875
(Profit)/Loss on disposal of non-current assets	2	(10)
Foreign exchange (gain)/loss, including changes in foreign currency net assets and liabilities	(718)	(6,534)
Equity settled share-based payments	438	456
Gain on disposal of business	(31,684)	-
Share of loss of associate	2,275	-
(Increase)/decrease in current income tax balances	6,048	(4,101)
(Increase)/decrease in deferred tax balances	8,624	(4,320)
Changes in net assets and liabilities:		
- (Increase)/decrease in assets:		
- Trade Receivables	(5,758)	(7,752)
- Inventories	(99)	84
Increase/(decrease) in liabilities:		
- Trade and other payables	3,369	327
- Provisions	(511)	394
- Other liabilities	(873)	(136)
<b>Net cash used in operating activities</b>	<b>(4,074)</b>	<b>(8,886)</b>



## 9. Disposal of HomeSend business

On 19 December 2013 the Group announced the sale of its international mobile money transfer business, HomeSend to a newly formed entity, HomeSend SRCL, which is a joint venture between eServGlobal, MasterCard and BICS.

The transaction was subject to certain conditions precedent and was subsequently completed on 3 April 2014.

	<b>31 October 2014 \$'000</b>
<b>(a) Consideration received</b>	
Cash consideration received	8,205
Deferred sales proceeds (i)	5,134
Total consideration received	<u>13,339</u>

(i) Deferred sales proceeds, which relate to the sale of HomeSend to the associate company HomeSend SRCL, are held in escrow and are subject to indemnification provisions within the transaction agreement. The funds are due to be paid to the Company on 3 April 2016, two years after the transaction agreement date.

<b>(b) Gain on disposal of business</b>	
Consideration received (a)	13,339
Plus: fair value of investment retained	31,125
Less: business net assets disposed	(8,700)
Less: disposal related costs	(4,080)
Gain on disposal	<u>31,684</u>

Net assets disposed comprise of:

Allocated goodwill	3,540
Intangible assets (capitalised R&D expenditure)	5,160
Net assets disposed of	<u>8,700</u>

## 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 2014	31 October 2013
Homesend SRCL (i)	Provision of international mobile money services	Brussels, Belgium	35%	N/A

- (i) 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.

Reconciliation of the carrying amount of the investment in associate:

	31 October 2014 \$000
Initial recognition of investment in associate	31,125
Share of current period loss of the associate	(2,275)
Effects of foreign currency exchange movements	(1,073)
<b>Carrying value of investment</b>	<b>27,777</b>

## 11. Net Tangible Assets per security

	31 October 2014	31 October 2013
Net tangible assets per security	18 cents	10.5 cents

## 12. Dividends

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

## 13. Control gained over entities

N/A

### 13.1 Loss of control over entities

N/A

## 14. 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.

## 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.



PAOLO MONTESSORI  
Director  
19 December 2014