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CPT Global Limited

ABN 16 083 090 895

Annual Report

For the year ended 30 June 2020

Chairman's Statement

Dear Fellow CPT Global Shareholder,

Despite the recent global challenges of COVID-19 CPT finished the year in a strong financial position with the fourth quarter being our most profitable for the 2020 financial year. CPT acted quickly to protect the health and safety of our staff and to position the business for uncertain times by cutting costs including voluntary cuts to remuneration by senior staff and Directors. However given that remote operation has always been a core part of CPT's business model we were able to transition seamlessly during the various lockdowns and have maintained and in many cases grown our presence at clients during this difficult time. Due to our pre-emptive action and ongoing client focus CPT ended the year with almost 20% more consultants engaged than the prior year end and this trend has continued. While overall revenue in 2020 was lower than the prior year this masks a substantial turn-around in the performance of our Australian operations during the year and continuing momentum in our North American business.

The Australian business started the year slowly with a relatively weak pipeline but through the year was able to add two substantial new clients and also continued to build the scale of our Federal Government work. The fortunes of our Southern region, which has traditionally been the backbone of CPT's business and provides many of the skilled IT experts for our international business, improved significantly. By year end monthly revenue from our Australian business had increased by over 50% from the first half of the year and our new business pipeline was substantially stronger and more secure. In 2020 six of our ten largest clients were based in Australia of which two were new clients.

CPT's international business continued to perform well primarily due to the continuing good performance of our US operations particularly in the second half of the financial year. US monthly revenue in the 4th quarter was over 30% higher than in the first half of the financial year. Revenue in Canada and Europe remained more subdued as a result of the seemingly greater impact of COVID-19 on business in these regions.

While the business pipeline in the US remains strong the outlook is clouded by the potential impact of COVID-19 on our client's contract renewal decisions with revenue in Canada particularly under pressure. For the second year CPT's largest client was in the US and four of our top ten clients in 2020 were based in North America.

In Europe and Asia CPT continues to selectively target new business opportunities and again delivered another break-even result while continuing to provide resources to our North American operations. Over the years CPT has worked for many clients in Europe and Asia and our reputation there is strong so we can expect to be engaged where circumstances demand our specialised services.

In 2020 our revenue fell by 12% to \$24.9m. However CPT was still able to deliver net profit after tax of \$0.9m (before a goodwill impairment of \$4.2m) which was in line with \$1.0m in 2019. Our performance was assisted by cost reductions implemented in response to COVID-19 and savings in travel costs due to the move to full remote operation. As a result of our profit and good start to FY 2021 CPT will pay a final fully franked dividend of 1.25 cents per share as against last year's dividends totalling 0.75 cents per share. Our healthy operating cash flow ensured that CPT ended the financial year with an improved cash position of \$3.1m.

COVID-19 has accelerated the global use of technology, remote operation and online commerce which places CPT in a strong position to assist clients navigate the digital world. Our strong reputation for delivering outcomes for clients, depth of experience and long history of remote operation provide CPT with a great platform to grow our business and generate improved returns for our shareholders.

Despite the current challenging global environment CPT starts the new financial year in a substantially improved position. Our Australian business has successfully broadened its client base and developed a healthy business pipeline while we have maintained activity in our international business. Based on our current positive momentum and consistent with past practice CPT expects to pay a growing proportion of our earnings as dividends to shareholders. The challenges and changed operating environment caused by COVID-19 have been very difficult for all and have imposed significant extra demands and restrictions on our staff and their families. Accordingly I would particularly like to thank all of CPT's staff and my fellow directors including our tireless Managing Director, Gerry Tuddenham, for their commitment and dedication to the service of CPT's clients while ensuring that our financial position, performance and outlook remain robust.

A handwritten signature in black ink, appearing to read 'Fred S. Grimwade'. The signature is fluid and cursive, written in a professional style.

Fred S. Grimwade
Chairman

Managing Director's Review

Dear Fellow Shareholders,

The 2020 financial year has been very difficult for all our shareholders, employees, clients and suppliers. We have all been profoundly impacted on a personal level by the global COVID-19 pandemic and the changes forced upon us in our personal and work lives.

At the onset of the global pandemic our priority was the safety and wellbeing of our employees and preparing the business to deal with the financial scenarios we envisioned could arise. We closed all our offices, moved all employees to remote working, repatriated employees working overseas, provided the resources for our employees to work from home and provided the support structures and programs to help our employees adjust and thrive in their work and home life.

Aggressive cost cutting and cost controls were put in place, directors and senior management agreed to reductions in their salary packages of between 15% and 20% in the 4th quarter and agreed to forgo performance bonuses.

Our employees have demonstrated the professionalism, flexibility and resilience required to adapt to working from home while keeping a global business running efficiently and effectively.

We have not lost a single contract with a client or removed a single consultant out of a client because of the global pandemic. In fact, CPT grew revenue and profit. The 4th quarter delivered the highest revenue and was the most profitable quarter for the financial year. During the 4 month period from March to June, the losses generated in the preceding 8 months were recouped and turned into a \$0.9 million full year profit after tax but before impairment.

This significant turnaround in performance is a credit to all CPT's employees. That it was achieved during a global pandemic is a source of immense pride and I would like to express my gratitude to everyone working at CPT for their hard work, dedication, loyalty and support.

Operating and Financial Review

CPT made a net profit after tax but before impairment of goodwill of \$0.9 million for the financial year compared to a profit of \$1.0 million in FY2019 and a profit of \$0.5 million for the first half year in 2020. The net loss of \$3.3 million for the financial year includes the goodwill impairment of \$4.2 million that was booked at the half-year.

The performance of the business during the second half has been particularly impressive and is a \$1.2 million turnaround on the profit before tax & impairment we announced for the half year.

The table below shows the operating performance over the last 3 reporting periods reconciled to net profit after tax.

| | FY2020 | HY2020 | FY2019 |
|---|--------|--------|--------|
| | m's | m's | m's |
| Revenue | 24.9 | 12.1 | 28.4 |
| <i>Profit before tax & impairment</i> | 0.9 | (0.3) | 1.7 |
| Goodwill impairment | (4.2) | (4.2) | - |
| <i>Profit before tax</i> | (3.3) | (4.5) | 1.7 |
| Tax expense | (0) | 0.8 | 0.7 |
| <i>Profit after tax but before impairment</i> | 0.9 | 0.5 | 1.0 |
| <i>Net profit</i> | (3.3) | (3.8) | 1.0 |

As CPT's performance improved from March through June and improved in comparison to the same period in FY2019, we were not eligible for JobKeeper and did not receive financial assistance from governments in our regions other than \$0.1 million from the ATO cash flow boost automatically credited to small and medium sized companies.

Managing Director's Review

The improved performance of the business in the second half was driven by:

1. growth in revenue in March through June in Australia and the USA;
2. tighter controls over discretionary costs and temporary cost savings implemented to prepare the business for the impacts of the global pandemic; and
3. net cost savings from moving to remote working.

While revenue finished the year 12% lower than FY2019, this was a significant improvement on the half year where revenue was 20.8% lower than the comparative period. The decline in revenue in the first half continued through February and then returned to growth during March and grew month on month through June.

Revenue in June was 53% up on February and 4th quarter revenue was 31% up on the 3rd quarter. The improved performance was led by the Australian and USA regions:

- Australian revenue in June was 54% up on February and 4th quarter revenue was 37% up on the 3rd quarter. New business was won on multi-year projects at a University and Victorian statutory authority. Both these projects were ramping up in the 4th quarter. We expanded our presence at our largest Australian client throughout the second half with 58% of annual revenue earned during this period; and
- USA revenue in June was 86% up on February and 4th quarter revenue was 40% up on the 3rd quarter. We continued to expand our footprint in our largest client, a global bank, and commenced a risk reward contract at a national insurance company. Phase 1 of the risk reward was completed in March and April and phase 2 commenced in June.

Our core industries in Australia and the USA, banking & finance, insurance and government, were critical to national economies and governments' responses during the global pandemic and will be critical to economic recovery. The services we provide in these industries tend to be on business critical systems and projects. This expertise, our status as trusted advisors and our experience and expertise providing services remotely were strengths that allowed us to continue to provide seamless service and advice at a critical time for clients.

The growth in revenue was not as significant as we had expected at the half year but our expectations were formed before Covid-19 had spread widely and Governments had started to implement lockdowns. As stated above, we did not lose any contracted revenue due to the global pandemic. The lockdowns and other measures implemented by governments globally did affect our ability to generate new revenue, particularly from new clients and in areas of clients' businesses or within projects that were not business critical.

As disclosed at the half year, our Canadian business declined when the contract at our largest client in Canada was not renewed and the payments modernisation program was delayed due to industry issues that needed to be resolved. The global pandemic and Canada's response to it has compounded the issues in Canada. To minimise the impact on the business we have moved Canadian consultants onto USA clients as they roll off contracts and the Canadian sales team is supporting the USA sales and delivery teams.

Europe was hit early and hard by the global pandemic. This had a significant impact on our sales effort in the 3rd and 4th quarter as Italy and France went into hard lockdowns. As a result, revenue didn't rebound in the second half as we had expected.

Margins and profit were helped across the business in the second half with our consultants and sales teams unable to travel. The additional costs incurred in moving to remote working were less than the savings in travel costs. While travel restrictions are still in place, particularly in Australia and North America, we will benefit financially.

Cost measures we implemented in March saved the business \$0.3 million in the 4th quarter. These cost measures included the salary reductions for directors and senior management.

Managing Director's Review

Financial Results

Financial Performance

CPT's revenue for the year ended 30 June 2020 was \$24.9 million, a 12% decrease on FY2019's revenue of \$28.4 million. CPT's net loss after tax for the year ended 30 June 2020 was \$3.3 million and was a result of the factors discussed above.

Earnings per share after tax but before impairment was 2.30 cents per share. Basic earnings per share amounted to (8.73) cents per share (diluted earnings (8.73) cents per share).

The net loss after tax includes:

- tax expense of \$14k. The tax expense is discussed in more detail below in the Taxation section.
- an impairment charge against goodwill allocated to the Australian cash generating unit ("CGU") of \$4.23 million. Goodwill was impaired as the revenue and operating profit of the Australian CGU in the first half of the financial year were below budget and were unlikely to meet budget for the full financial year. The Australian business had a difficult financial year in 2019 with revenue falling 29% against the 2018 financial year, the banking & finance sector declined by 57% after 5 years of consistent growth. Banking & finance had been one of CPT's largest and best performing sectors in Australia over many years so the decline in revenue had a significant impact on performance. There were several reasons for revenue declining in the banking & finance sector, with internal transformations and the banking royal commission being two of the main ones. At the end of the 2019 financial year we saw these negative influences on revenue in the sector as temporary and expected revenue to grow quickly in the 2020 financial year. While we have seen growth in the banking & finance sector and in Australia more generally, that growth has fallen short of our expectations. A valuation of the Australian CGU at 31 December 2019 resulted in the carrying value of intangible assets in the Australian CGU being impaired to nil.

Financial Position

CPT Global's balance sheet reflected net tangible assets of \$2.7 million as at 30 June 2020 (2019: \$2.1 million). Net assets are \$2.7 million (2019: \$6.4 million). The reduction in net assets is a result of the impairment of goodwill at 31 December 2019.

- Contract asset (WIP) has decreased by \$0.5 million. At 30 June 2019 we had WIP in Canada and Asia of \$0.5m across 8 clients. At 30 June 2020 we had one active account in Asia and Canada with minimal WIP.
- Trade and other receivables decreased \$0.8 million. The main reason for the decrease is a change in terms with our largest client in the USA where we are now paid within 2 weeks of weekly timesheets being approved rather than 30 days from receipt of a monthly invoice. At 30 June 2020, we had \$18k in debtors over 60 days.
- The current tax asset is tax refunds receivable in the USA due to: (a) tax instalments paid in the 2019 and 2020 financial years exceeding the tax liabilities incurred; and (b) USA tax losses utilised to claim a refund on tax paid in FY2018 under the CARES Act. In the comparative period a current tax liability was recognised.
- Property plant and equipment increased by \$0.7 million due to the initial application of AASB 16: Leases and the recognition of right-of-use assets and the corresponding lease liabilities.
- Goodwill and intellectual property were impaired by \$4.2 million as discussed above and have a carrying value of nil.
- Trade and other payables increased by \$0.3 million. Part of the increase is due to the performance of the business in the 4th quarter which saw an increase in consultants engaged by CPT with the balance due to timing of payments around year end.
- Borrowings at year end relate to the debtor funding facility provided by Scottish Pacific and the lease liability recognised on adoption of AASB 16 Leases.

Managing Director's Review

Dividend

On 25 August 2020, a fully franked final dividend of 1.25 cents per share was declared by the directors. The total value of the dividend is \$478,253 and will be paid on 18 November 2020.

The financial effect of the dividend will be recognised in the 2021 financial year as it was declared after 30 June 2020. Based on the existing participation rate in the dividend reinvestment plan, 49.54% of the dividend will be satisfied by the issue of shares.

Cash Flow

CPT had \$3.1 million in cash at 30 June 2020 (\$1.7 million 30 June 2019) and a net cash inflow of \$1.5 million for the financial year. We also had access to \$0.8 million in additional funding in our debtor facility.

Our strong cash management processes, Australian debtor funding facility and the increase in revenue in Australia and the USA in the second half all contributed to CPT being able to manage the cash flow challenges in 2020.

Taxation

Despite making a profit during the financial year, the tax expense is \$14k and the current tax is a net receivable of \$645k.

The tax expense is made up of:

- a tax benefit of \$0.5 million. This benefit arose due to \$1.7 million of intercompany interest expense expensed in the USA in the 2014, 2015 and 2016 financial years becoming deductible for tax purposes. The tax benefit of \$0.5 million was not previously recognised as there was uncertainty as to whether the conditions for deductibility under the USA tax code would be met; and
- tax expense within the Group of \$0.5 million from the FY2020 operations. Taxable losses across the Group of \$0.3 million have not been recognised as the conditions for recognition have not been met.

The current tax receivable is made up of:

- a \$0.7 million refund due in the USA for taxes paid in FY2019 that are now refundable because of the interest deductibility discussed above, tax instalments paid for FY2020 in excess of the final tax payable and tax losses that the passing of the CARES Act in 2020 allowed CPT to recoup against tax paid in FY2018. At 30 June 2020 we have \$0.3 million of tax losses in the USA available to offset future tax payable; and
- the balance of tax payable for FY2020 in Australia.

Capital Management

A fully franked final dividend of 1.25 cents per share will be paid for FY2020.

Our debtor funding facility has a limit of \$5.0 million of which there was \$0.6 million outstanding at 30 June 2020 and \$0.8 million was available to draw on.

In June 2020 we bought back 28,799 shares at a cost of \$3,123.90 under our on-market buy-back. It is our intention to continue to provide liquidity in the market by buying shares on-market when circumstances are deemed appropriate.

During 2021 our focus will be on continuing to grow operating profit and cash flows to reduce our reliance on debtor facilities and the associated costs and repay other debts so that we can rebuild our cash position. We intend to pay dividends consistently and increase the payout ratio as our financial performance allows. CPT has in excess of \$2 million of franking credits available to pay franked dividends.

The Outlook and Strategy

The uncertainty driven by the global pandemic has reduced our visibility of future revenue, particularly in the second half of FY2021. The risks and uncertainty are significant so our outlook is limited to providing general information on what we are seeing in the market now and what our strategy is in the short-term. Our clients will be reacting to the situation and condition in their respective countries and/or states, which can materially change in a short period of time.

Managing Director's Review

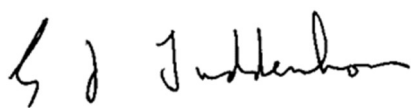
CPT will be focussing on the Australian and USA regions where we have our largest clients and best opportunities. While travel restrictions remain in place and clients are working remotely, our strategy is to:

- renew existing contracts at existing or higher funding levels;
- grow within existing clients by expanding into new projects and offering additional services;
- preserve margins by maintaining control of delivery costs;
- maintain control over discretionary costs; and
- provide our employees with the services and support they need to work remotely and maintain a healthy work and personal life.

We expect the performance of the business in the 4th quarter to continue into the 1st quarter of FY2021 and approximately 70% of budgeted revenue in the first half is already contracted. Our two largest contracts are up for renewal at 31 December 2020. We expect both contracts to be renewed for between 6 and 12 months but, do not have full visibility over the likely outcome. However, we are actively working with these clients on the renewals.

We are seeing an increase in the governance processes clients are implementing around spending and budgeting and some longer term projects are being funded over shorter periods to give clients greater flexibility in uncertain times. To date this has had no impact on our existing contracts but there is a risk that contracts that come up for renewal will not be renewed on existing terms.

We do not expect to see a material change in our European, Canadian or Asian regions in the first half of the financial year and they will be managed opportunistically. Our consultants and sales teams in Europe and Canada will continue working in the USA region in the short term.



Gerry Tuddenham
Managing Director
September 30, 2020



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Corporate Governance Statement

The Board of Directors of CPT Global is responsible for the corporate governance of the group. The Board guides and monitors the business and affairs of CPT Global on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement is based on the Australian Stock Exchange Corporate Governance Council's (the Council's) "Corporate Governance Principals and Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

CPT Global's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations.

A summary of CPT Global's corporate governance policies and practices can be found at www.cptglobal.com/investor-centre/.

Principle 1: Lay solid foundations for management and oversight

Functions reserved for the Board

The Board is responsible for governing the Company, providing leadership and monitoring CPT Global on behalf of its shareholders. In addition, the Board is responsible, along with management, for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board has adopted a Charter that sets out, among other things, its specific powers and responsibilities and the matters delegated to the CEO and management and those reserved to the Board. Information regarding the Charter can be found at www.cptglobal.com/wp-content/uploads/2017/07/Board-Charter.pdf.

The senior executives of CPT Global are responsible for matters which are not specifically reserved for the Board. Senior executives manage the Company in accordance with the direction and strategy adopted by the Board.

Appointment and election of directors

Prior to the appointment of a new Director, CPT Global undertakes appropriate checks and internal investigations on the suitability of nominated directors.

CPT Global's Constitution requires that an election of directors takes place each year. In addition, directors appointed during the year to fill a casual vacancy or as an addition to the existing directors during the year, must retire from office at the next annual general meeting following their appointment but are eligible for re-election by shareholders at that time.

The Notice of Meeting for an Annual General Meeting sets out the background, experience and skills of each director seeking election or re-election to the Board along with a recommendation of the Board in relation to the election or re-election. Security holders are provided with all material information in CPT Global's possession relevant to a decision on whether or not to elect or re-elect a director.

Director agreements

CPT Global has written agreements with each director and senior executive setting out the terms of their appointment, including commencement and end date, terms of appointment, remuneration and obligations.

Company Secretary

The Company Secretary is charged with facilitating CPT Global's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have a right of access to the Company Secretary.

Corporate Governance Statement

Diversity policy

CPT Global has a diversity policy which provides equal opportunity to all appropriately skilled individuals with respect to their recruitment, remuneration, promotion, training and other employment practices. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. CPT Global is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

The diversity policy remains under review by the Board. During the 2020 financial year the Board did not set measurable objectives to progress our diversity goals, however, gender balance is reported to the Board on a monthly basis.

Our progress with gender balance can be measured below:

| | 2020 | | 2019 | |
|----------------------------------|------|----|------|----|
| | No. | % | No. | % |
| Women on the Board | 0 | 0 | 0 | 0 |
| Women in senior management roles | 3 | 30 | 3 | 30 |
| Women employees in the company | 26 | 19 | 19 | 15 |

On 30 July 2020, CPT Global lodged its annual public report with the Workplace Gender Equality Agency pursuant to the requirements of the Workplace Gender Equality Act 2012 (the Act). The Act is designed to put a focus on promoting and improving gender equality and outcomes for both women and men in the workplace. All non-public sector employers with more than 100 employees are required to report annually under the Act.

The Act requires companies to provide access to the report to employees and shareholders via the usual means of communication with them.

A copy of the report is available on the Company's website at www.cptglobal.com/investor-centre. Note that this report reflects the employee numbers at a particular reporting date.

Evaluating the performance of the Board, its Committees, its directors and Senior Executives

The Board's Charter states that the Board will conduct annual reviews of both individual Board members, performance of the Board as a whole and the performance of Board Committees.

An annual performance evaluation of the Board and all Board members is conducted at the completion of each financial year.

The Board developed a questionnaire for all Board members to provide feedback on the role, composition, procedures and practices of the Board and its Committees. The results from the questionnaire are collated by the Company Secretary and discussed by the Board.

The initial results of the evaluation of the performance of the Board are due to be presented to the Board at the October 2020 meeting.

CPT Global undertakes an annual performance evaluation of its senior executives. This encompasses a review of each senior executives' achievement of their performance objectives and the establishment of future objectives. The determination of appropriate remuneration for each executive follows the performance evaluation.

The Remuneration Report includes more details on CPT Global's remuneration practices. An annual performance evaluation of the senior executive team was conducted following the completion of the financial year.

Corporate Governance Statement

Principle 2: Structure the Board to add value

Remuneration & Nomination Committee

The Board has a Remuneration and Nomination Committee which meets to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The Committee is also responsible for ensuring that adequate resourcing levels are maintained, setting and monitoring employment conditions, reviewing the performance of executive directors and senior management and setting the scale of their remuneration. The Remuneration and Nomination Committee comprises all of the non-executive directors. The Remuneration and Nomination Committee comprised the following members throughout the year:

- Nigel Sandiford (Chairman)
- Fred Grimwade

The Board policy is that the Committee will only comprise independent non-executive directors. Due to the number of independent directors on the Board, CPT Global has not complied with corporate governance best practice, which recommends the Remuneration and Nomination Committee to have a minimum of three members.

For details of directors' attendance at meetings of the Remuneration & Nomination Committee, refer to page 27 of the Directors' Report.

A summary of the Committee's role and responsibilities can be found as an appendix to the Board Charter at www.cptglobal.com/wp-content/uploads/2017/07/Board-Charter.pdf.

Board Skills Matrix

The Remuneration & Nomination Committee maintain, on behalf of the Board, a capabilities matrix. The Board composition is reviewed at least annually against the matrix and the effect of a proposed new director on Board composition and balance is also assessed against the matrix. Succession planning for the Board to maintain appropriate experience, expertise and diversity is an important responsibility of the Remuneration & Nomination Committee. While important, the capabilities matrix is only part of the process for assessing proposed directors.

The Board has adopted the capabilities matrix, set out below, which sets out the mix of skills and diversity that the Board is looking to achieve in its membership. The skills matrix highlights the key skills and experience of the Board and the extent to which those skills are currently represented on the Board.

Skills/Experience

| | |
|---|----------|
| Total Number of Directors | 3 |
| Public Company Governance | |
| Experience with listed and other organisations subject to robust governance frameworks with an ability to assess the effectiveness of relevant governance processes | 1 |
| Executive Experience | |
| Experience in senior positions at executive levels | 3 |
| Strategy & Planning | |
| Ability to develop and implement successful strategy and deliver agreed strategic planning goals | 3 |
| Accounting, Finance & Capital & Debt Management | |
| Senior executive experience in financial accounting and reporting, capital management, taxation, internal controls and corporate financing arrangements | 1 |
| Risk Management | |
| Experience in the oversight and management of material business risk including membership of risk committees | 1 |
| IT Industry Experience | |
| Senior executive experience in the IT sector | 2 |

Corporate Governance Statement

| | |
|--|---|
| Consulting & Technology Services Experience | 1 |
| Senior executive experience in consulting services, particularly in the IT sector | |
| Mergers and acquisitions | 3 |
| Senior executive experience in successfully undertaking mergers & acquisitions | |
| Marketing & Sales | 2 |
| Senior executive experience in selling IT consulting services and marketing | |
| International market experience | 3 |
| Senior executive experience in managing operations and subsidiaries in multiple countries | |
| Occupational Health & Safety | 1 |
| Experience in relation to workplace health and safety | |
| Environment and Sustainability | 1 |
| Experience in relation to environmental and social responsibility and community | |
| Legal & Regulatory | 1 |
| Experience in legal and regulatory matters | |
| Human Resources | 1 |
| Experience in relation to remuneration and incentive practices, succession planning and director appointment processes | |

Board skills and experience

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the directors' report on page 17.

Director independence

A majority of the Board are independent. The following directors of CPT Global are considered independent:

| Name | Position |
|-----------------|------------------------|
| Fred Grimwade | Non-executive Chairman |
| Nigel Sandiford | Non-executive Director |

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five percent of the voting shares of CPT Global and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of CPT Global;
- within the past three years has not been employed in an executive capacity by CPT Global or another group member, or been a director after ceasing to hold any such employment;
- within the past three years has not been a principal or employee of a material professional adviser or a material consultant to CPT Global or another group member;
- is not a material supplier or customer of CPT Global or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with CPT Global or another group member other than as a director of CPT Global;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of CPT Global; and
- has not had their independence compromised by the length of their tenure preventing them from being able to bring an independent judgement to bear on issues before the Board and to act in the best interests of CPT Global and its security holders.

Corporate Governance Statement

Materiality is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's strategy.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

| Name | Term in office |
|-----------------|----------------|
| Fred Grimwade | 18 years |
| Nigel Sandiford | 2 years |
| Gerry Tuddenham | 22 years |

The Board considers Fred Grimwade to be independent even though his tenure on the Board exceeds 10 years as the Board expects the Chairman to have a deep understanding of CPT Global and its business and with an interest in 2% of the shares of CPT Global, Mr Grimwade's interests are aligned with the interests of CPTs shareholders.

Director induction and professional development

CPT Global has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. For more information on Director induction and education, see the Board Charter at www.cptglobal.com/wp-content/uploads/2017/07/Board-Charter.pdf.

Principle 3: Act ethically and responsibly

Code of conduct

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees, clients and suppliers. These values are enshrined in the Board's Code of Conduct which requires all directors, management and employees to, at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

CPT Global's policy regarding directors and employees trading in its securities is set by the Finance and Audit Committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities price.

Information relating to the Code of Conduct and Trading Policy can be found at www.cptglobal.com/investor-centre.

Corporate Governance Statement

Principle 4: Safeguard integrity in corporate reporting

Finance and Audit Committee

The Board has a Finance and Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity and ensure compliance with ASX Listing Rule disclosure requirements. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, external reporting and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Finance and Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Corporate Governance Principles recommend that all Finance and Audit Committee members are non-executive. CPT Global only has two non-executive directors therefore the managing director has also been appointed to the Finance and Audit Committee.

The members of the Finance and Audit Committee during the year were:

- Fred Grimwade (Chairman)
- Nigel Sandiford
- Gerry Tuddenham

Due to the size of the company and the Board of directors, CPT Global has not complied with corporate governance best practice, which recommends the Finance and Audit Committee have a different Chairman than the Board.

For details of directors' experience and qualifications refer to page 17 of the Directors' Report. For details of attendance at meetings of the Finance and Audit Committee, refer to page 27 of the Directors' Report.

A copy of the Committee's Charter is included as an appendix to the Board Charter and can be found at www.cptglobal.com/investor-centre.

CEO & CFO declarations

For the annual results, the CEO and CFO have provided a written declaration to the Board stating that, in all material respects, the Company's financial report gives a true and fair view of CPT Global's financial position and operational results and are in accordance with relevant accounting standards and the financial records have been properly maintained in accordance with the Corporations Act 2001.

The declaration by the CEO and CFO states that it is founded on a sound system of risk management and internal compliance and control system and that the risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating effectively and efficiently in all material respects.

Auditors attendance at the AGM

The external auditor attends the Annual General Meeting to answer any questions concerning the conduct of the audit, the preparation and content of the Auditor's report, accounting policies adopted by the group and the independence of the auditor in relation to the conduct of the audit.

Principle 5: Make timely and balanced disclosure

Continuous disclosure policy

CPT Global is subject to continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001. Subject to limited exceptions, CPT Global must immediately notify the market, through the ASX, of any information that a reasonable person would expect to have a material effect on the price or value of CPT Global's securities. CPT Global has a Continuous Disclosure Policy, a summary of which can be found at www.cptglobal.com/investor-centre.

Corporate Governance Statement

Principle 6: Respect the rights of security holders

Online information for security holders

CPT Global's corporate website has a dedicated Investors section which provides information on the Company, corporate governance and financial reports as well as providing access for security holders to contact the Company and Company Secretary by email.

The Corporate Governance tab sets out CPT Global's charters, policies, codes and ethical standards.

Promoting effective communication with security holders

The Board is committed to giving security holders and potential investors balanced and understandable information about the Company and corporate proposals. The Company communicates with security holders via the financial media for significant corporate events and meetings with security holders and potential investors are held on request. The Company responds to questions and enquiries made by security holders in a timely and transparent manner.

CPT Global has a Shareholder Communications Policy which can be found at www.cptglobal.com/investor-centre. The policy explains how information will be communicated to security holders and lists the following channels:

1. releases to the market via the ASX;
2. through the Company's web site;
3. directly to shareholders; and
4. at general meetings of the Company.

CPT Global's Shareholder Communications Policy works in tandem with Continuous Disclosure Policy

Security holders are entitled to vote on significant matters impacting on the business. The Board actively encourages security holders to attend and participate in the Annual General Meeting of CPT Global, to lodge inquiries and to be responded by the Board and or the CEO and can appoint proxies. The date of the AGM is published well in advance in the financial report and in the Notice of Meeting sent to security holders.

At the AGM, the Chairman encourages security holders to ask questions on each item of business and, after the formal business of the meeting, encourages security holders to ask general questions.

Communicating with security holders

Shareholders have the option to receive communications from and send communications to the Company and its security registry electronically.

Furthermore, the Company website has a "Contact" section which allows investors and others to communicate with and ask questions of the Company.

Principle 7: Recognise and manage risk

Policy for oversight and management of business risk

CPT Global believes that, given the size of the Board, it is crucial for all Board members to be a part of the risk management process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board and the sub-committee further examines the issue and reports back to the Board.

Design and implementation of risk management and internal control systems

CPT Global takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Corporate Governance Statement

The main risks that could negatively impact on the performance of the Group's business include:

- the global economic environment;
- the availability of professional IT resources;
- the value of the Australian dollar;
- Government policy, budget and spending levels.

The Finance and Audit Committee is responsible for establishing and maintain a framework of internal control. The Board and the Audit Committee have a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of Key Performance Indicators (KPI's) of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, such matters as the financial risks and concerns and occupational health and safety.

Due to the size of the company, CPT Global does not have an internal audit function.

In addition to their regular reporting on business risks, risk management and internal control systems, the CEO and Chief Financial Officer also provide the Board with assurance that the directors declaration provided with the annual report is founded on a sound system of risk management and internal control and that this system is operating effectively in all material respects in relation to the financial reporting risks. This assurance is provided prior to the meeting at which the directors are due to authorise and sign the company's financial statements.

The Board undertook a review of CPT Global's risk management framework during the reporting period and undertakes such reviews on an annual basis.

CPT Global does not have any material exposure to environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

The Remuneration Report (on pages 20 to 26 of this report) sets out details of CPT Global's policy and practices for remunerating directors and executives.

Information on the Remuneration & Nomination Committee is included under Principle 2 of this Corporate Governance Statement.

CPT Global does not have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the performance rights scheme.

Due to the number of independent directors on the Board, CPT Global has not complied with corporate governance best practice, which recommends the Remuneration & Nomination Committee to have a minimum of three members.

Information relating to the Remuneration & Nomination Committee and CPT Global's policy on share trading in relation to shares or equity-based products can be found at www.cptglobal.com/investor-centre.

Directors' Report

Your directors submit their report for the year ended 30 June 2020.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Fred S Grimwade

(Non-executive Chairman)



Fred chairs CPT's Finance and Audit Committee and is a member of the Remuneration Committee. He is a director of specialist corporate advisory and investment firm Fawkner Capital and is also a non-executive director of ASX listed companies Select Harvests Limited, and Australian United Investment Company Limited and chairs XRF Scientific Limited.

Fred was a commercial lawyer and later worked with Goldman, Sachs & Co. in New York and Sydney. He also served as Company Secretary and General Manager of Shareholder Relations at Western Mining Corporation. In 1996, he joined Colonial Mutual as Group Company Secretary and General Manager for Legal Affairs and subsequently became Head of Private Capital for Colonial First State Investments. He was Managing Director of the Colonial Agricultural Company from 1998 to 2006 and a non-executive director of AWB Limited from 2008 to 2010. Fred is a senior fellow and life member of the Financial Services Institute of Australasia (Finsia), and a Fellow of the Australian Institute of Company Directors and Chartered Secretaries Australia.

Gerry Tuddenham

(Managing Director)



Gerry is the founder of and a major shareholder in CPT. He has more than 40 years experience in IT consulting and is a hands-on technologist with a reputation for delivering practical solutions. Gerry is widely known as a technical specialist in performance tuning, capacity planning and testing in IBM mainframes, with additional expertise in expert systems, transaction processors, middleware and database management systems. Gerry was the lead developer of the Expetune and Expetest utilities, which automate a number of intricate tuning and testing activities. He has worked internationally in a broad range of industries, with a focus on financial services and telecommunications. Gerry is a member of the Australian Institute of Company Directors. Gerry is a member of the Finance and Audit Committee.

Nigel Sandiford

(Non-executive Director)



Nigel is a member of CPT's Finance and Audit Committee and chairs the Remuneration Committee.

Nigel had a successful career in the music and video gaming industries and worked in the UK, South Africa, New Zealand and Australia. His senior executive positions included COO of News Music International (a subsidiary of News Corporation), Vice President Global Marketing Polygram Records and President Asia-Pacific for the NASDAQ listed Electronic Arts.

After taking early retirement, Nigel has been advising and investing in companies covering various forms of digital development, distribution and disruption and has mentored male and female executives globally, both in corporate and individual businesses, including Google, Facebook, Electronic Arts, Amazon, Apple and Microsoft. Nigel is a member of the Australian Institute of Company Directors and has an MBA from the Graduate School of Business at Auckland University.

COMPANY SECRETARY

Grant Sincock

Grant was appointed as Chief Financial Officer and Company Secretary in June 2015. Grant brings over 20 years of experience as a finance professional to CPT Global Limited, having been a partner at ShineWing Australia (formerly Moore Stephens Melbourne) where he held many senior executive positions, including: member of the Executive Board, Head of Corporate Finance and Head of Audit and Assurance. He is a member of Chartered Accountants Australia and New Zealand.

Directors' Report

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and performance rights of CPT Global Limited were:

| | Ordinary Shares | Performance Rights |
|-----------------|-----------------|--------------------|
| Nigel Sandiford | 229,836 | 75,000 |
| Fred S Grimwade | 718,200 | 75,000 |
| Gerry Tuddenham | 13,838,156 | 300,000 |

EARNINGS PER SHARE

| | Cents |
|----------------------------|-------|
| Basic earnings per share | 2.62 |
| Diluted earnings per share | 2.60 |

DIVIDENDS

On 25 August 2020, a fully franked dividend of 1.25 cents per share was declared by the directors for the 2020 financial year. The total value of the dividend is \$478,243 and will be paid on 18 November 2020.

The financial effect of the dividend will be recognised in the 2020 financial year as it was declared after the end of the 2020 financial year. Based on the existing participation rate in the dividend reinvestment plan, 49.54% of the dividend will be satisfied by the issue of shares.

CORPORATE INFORMATION

Nature of operations and principal activities

The principal activities of the economic entity during the financial year were the provision of specialist IT consultancy services.

There have been no significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 139 employees and contractors as at 30 June 2020 (2019: 124 employees and contractors).

OPERATING AND FINANCIAL REVIEW

The full year performance of the business was a significant improvement on the half year performance. Revenue returned to growth during March and grew month on month through June. Revenue in June was 53% up on February and 4th quarter revenue was 31% up on the 3rd quarter.

The improved performance was led by the Australian and USA regions. Our core industries of banking & finance, insurance and government were critical to national economies and governments' responses during the global pandemic and will be critical to economic recovery. Our expertise, status as trusted advisors and experience and expertise providing services remotely were strengths that allowed us to continue to provide seamless service and advice at a critical time for clients.

We did not lose any contracted revenue due to the global pandemic although the lockdowns and other measures implemented by governments globally did affect our ability to generate new revenue.

As disclosed at the half year, our Canadian business declined when the contract at our largest client in Canada was not renewed and the payments modernisation program was delayed. The global pandemic has compounded the issues in Canada. To minimise the impact on the business we have moved Canadian consultants onto USA clients as they roll off contracts and the Canadian sales team is supporting the USA sales and delivery teams.

Europe was hit early and hard by the global pandemic. This had a significant impact on our sales effort as Italy and France went into hard lockdowns. As a result, revenue did not rebound in the second half as we had expected.

Directors' Report

Margins and profit were helped across the business in the second half with our consultants and sales teams unable to travel. The additional costs incurred in moving to remote working were less than the savings in travel costs. While travel restrictions are still in place, particularly in Australia and North America, we will benefit financially.

Cost measures we implemented in March saved the business \$0.3 million in the 4th quarter. These cost measures included the salary reductions for directors and senior management.

Financial Performance

CPT made a net profit after tax but before impairment of goodwill of \$0.9 million for the financial year compared to a profit of \$1.0 million in FY2019 and a profit of \$0.5 million for the first half year in 2020. The net loss of \$3.3 million for the financial year includes the goodwill impairment of \$4.2 million that was booked at the half-year.

CPT's revenue for the year ended 30 June 2020 was \$24.9 million, a 12% decrease on FY2019's revenue of \$28.4 million.

The performance of the business during the second half has been particularly impressive and is a \$1.2 million turnaround on the profit before tax & impairment we announced for the half year.

The improved performance of the business in the second half was driven by:

1. growth in revenue in March through June in Australia and the USA;
2. tighter controls over discretionary costs and temporary cost savings implemented to prepare the business for the impacts of the global pandemic; and
3. net cost savings from moving to remote working.

Earnings per share after tax but before impairment was 2.30 cents per share. Basic earnings per share amounted to (8.73) cents per share (diluted earnings (8.73) cents per share).

Financial Position

CPT Global's balance sheet reflected net tangible assets of \$2.7 million as at 30 June 2020 (2019: \$2.1 million). Net assets are \$2.7 million (2019: \$6.4 million). The reduction in net assets is a result of the impairment of goodwill at 31 December 2019.

- Contract asset (WIP) has decreased by \$0.5 million. At 30 June 2019 we had WIP in Canada and Asia of \$0.5m across 8 clients. At 30 June 2020 we had one active account in Asia and Canada with minimal WIP.
- Trade and other receivables decreased \$0.8 million. The main reason for the decrease is a change in terms with our largest client in the USA where we are now paid within 2 weeks of weekly timesheets being approved rather than 30 days from receipt of a monthly invoice. At 30 June 2020, we had \$18k in debtors over 60 days.
- The current tax asset is tax refunds receivable in the USA due to: (a) tax instalments paid in the 2019 and 2020 financial years exceeding the tax liabilities incurred; and (b) USA tax losses utilised to claim a refund on tax paid in FY2018 under the CARES Act. In the comparative period a current tax liability was recognised.
- Property plant and equipment increased by \$0.7 million due to the initial application of AASB 16: Leases and the recognition of right-of-use assets and the corresponding lease liabilities.
- Goodwill and intellectual property were impaired by \$4.2 million as discussed above and have a carrying value of nil.
- Trade and other payables increased by \$0.3 million. Part of the increase is due to the performance of the business in the 4th quarter which saw an increase in consultants engaged by CPT with the balance due to timing of payments around year end.
- Borrowings at year end relate to the debtor funding facility provided by Scottish Pacific and the lease liability recognised on adoption of AASB 16 Leases.

Directors' Report

Cash Flow

CPT had \$3.1 million in cash at 30 June 2020 (\$1.7 million 30 June 2019) and a net cash inflow of \$1.5 million for the financial year. We also had access to \$0.8 million in additional funding in our debtor facility.

Our strong cash management processes, Australian debtor funding facility and the increase in revenue in Australia and the USA in the second half all contributed to CPT being able to manage the cash flow challenges in 2020.

Capital Management

A fully franked final dividend of 1.25 cents per share will be paid for FY2020.

Our debtor funding facility has a limit of \$5.0 million of which there was \$0.6 million outstanding at 30 June 2020 and \$0.8 million was available to draw on.

In June 2020 we bought back 28,799 shares at a cost of \$3,123.90 under our on-market buy-back. It is our intention to continue to provide liquidity in the market by buying shares on-market when circumstances are deemed appropriate.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26th August 2020 CPT Global Limited announced its intention to extend the on-market share buy back for a further twelve months until 28th August 2021. A maximum of 3,000,000 shares may be bought back during the buy-back period.

On 25th August 2020, a fully franked final dividend of 1.25 cents per share was declared for the 2020 financial year.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments, future prospects and business strategies of the operations of the consolidated entity are detailed in the Chairman's Statement and Managing Director's Review on pages 2 and 3 respectively.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has paid premiums to insure the current directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director and officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

The total premium paid was \$59,156.

REMUNERATION REPORT

The Remuneration Report for the year ended 30 June 2020 outlines the Director and executive remuneration arrangements of CPT Global in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this Report, key management personnel (KMP) of CPT Global are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of CPT Global, directly or indirectly, including any Director of the parent company.

Directors' Report

Persons to who the report applies

The remuneration disclosures in this Report cover the following persons:

| Key Management Person | Position |
|-----------------------|---|
| Fred S Grimwade | Non-executive Chairman |
| Nigel Sandiford | Non-executive Director |
| Gerry Tuddenham | Managing Director |
| Grant Sincock | Company Secretary and Chief Financial Officer |
| Luke Tuddenham | President North America |

Remuneration policy

The Remuneration and Nomination Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The outcomes of the remuneration structure are expected to comply with Executive Share and Option Scheme Guidelines. The payment of bonuses, stock options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria. The Board can exercise its discretion in relation to approving the incentives, bonuses and options and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. Details of such incentives awarded during the year are detailed below. Further details on the remuneration of directors and executives are provided in Note 27 to the financial statements.

To assist in achieving these objectives, the Remuneration and Nomination Committee links the nature and amount of executive directors' and officers' remuneration to the company's financial and operational performance and shareholders' value. The Committee acknowledges that the creation of shareholder value has recently been inhibited by the tightening market conditions experienced within the IT industry.

Performance-based remuneration

Executives have short-term 'at risk' cash bonuses, the payment of which depends on the executive meeting their KPIs. Additional bonuses for exceptional performance in relation to the pre-agreed KPIs may be paid up to a maximum of 3 times the target bonus. The KPIs are set annually after consultation with the directors and executives. The measures are specifically tailored to the areas where each executive has a level of control. The KPIs target areas the Board believes hold the greatest potential for expansion and profit, covering financial and non-financial goals, for both the short and long-term. They can include financial, people, client, strategy and risk measures.

The directors are issued performance rights with vesting conditions tied to the share price of the company and the revenue growth of the international business.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being annual salary reviews based on key performance indicators, and the second being the issue of shares and options to selected directors and executives to encourage the alignment of personal and shareholder interests. During the five financial years to FY2020, there were no increases in annual salary during annual reviews for executives other than for a promotion to a higher role with greater responsibility. Executive remuneration was not increased as the results of CPT did not meet the expectations of the Board and shareholders had experienced negative returns. During this period, no performance rights vested as key performance indicators and performance hurdles were not met.

Directors' Report

The following table shows the net profit and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years. The analysis reflects the losses made in the 2016 and 2017 financial years and is matched by a reduced share price and no dividends being paid. This performance has been attributed to the difficult trading conditions in Europe and the continued investment in overseas opportunities in which delays have been encountered in reaching contract finalisation and tightening margins across the business. There were no increases in the compensation arrangements for directors and key management personnel during the 2016 and 2017 financial years and performance bonuses reflect the results of the Company. Since CPT returned to profit in 2018, one executive was promoted and received an increase in remuneration commensurate with the role and responsibilities. The net loss in 2020 includes the write down in goodwill of \$4.2m. The board believes the remuneration policy is effective and can be linked to current years result.

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------|----------|----------|--------|--------|----------|
| Net profit/(loss) | (\$3.9m) | (\$1.5m) | \$0.8m | \$1.0m | (\$3.3m) |
| Share price at year end | \$0.26 | \$0.16 | \$0.12 | \$0.20 | \$0.115 |
| Dividends paid and declared | 0.0c | 0.0c | 0.25c | 0.75c | 1.25c |

During the year, no shares were purchased as part of the share buyback. The share price during the year ranged from a low of \$0.09 to a high of \$0.285.

Remuneration of Non-executive Directors

Non-executive Directors are entitled to a fixed fee per annum for acting as a Director of CPT Global. No additional fees are paid for membership of an active committee.

Under CPT Global's Constitution, Non-executive Director's fees cannot exceed the aggregate cap approved by shareholders by an ordinary resolution. The current cap is \$300,000 and was adopted at the 2018 AGM. The aggregate fees paid to Non-Executive directors in the 2020 financial year do not exceed the cap.

There has been no change to the fees paid to individual Non-executive Directors during or after the 2020 financial year.

Remuneration of Senior Executives

The executive directors and the executives specified in this remuneration report, have their employment conditions formalised in contracts of employment and are permanent employees of CPT Global Limited.

The employment contracts are generally for a fixed term of 1 year and contain the following common features:

- an annual review of the Base Salary which is dependent upon CPT Global's performance, the individual's performance and market changes. Any increase has to be approved by the Managing Director and the Remuneration and Nomination Committee;
- short term performance incentive payments quarterly, dependent upon CPT Global achieving its objectives and the individual achieving their KPIs;
- at CPT Global's discretion, allowances and adjustments to Base Salary may be paid when an Executive is required to travel on CPT Global business. Any adjustments must be agreed in advance, documented in writing and signed by the Executive and the Company;
- post-employment restraints covering non-solicitation of employees, contractors and clients and non-competition;
- CPT Global may at its discretion elect to make payment in lieu of notice when the contract is terminated by the employee or the Company;
- a contract can be terminated immediately without notice by CPT Global for serious misconduct; and
- any options not vested as at the date of termination will lapse.

Specific details of each Senior Executive's contract of employment which applied at the end of the financial year ending 30 June 2020 are summarised in the tables on the following pages.

Directors' Report

Summary of Contracts of Employment Applicable at 30 June 2020

| Position | Gerry Tuddenham Managing Director | Grant Sincock Chief Financial Officer & Company Secretary |
|---------------------------------------|--|--|
| Fixed Remuneration | | |
| Base Salary | \$395,000 | \$265,000 |
| Superannuation | \$25,000 | \$25,000 |
| Non-monetary benefits | Mobile telephone, car park, road tolls, petrol and salary sacrifice arrangements for motor vehicle and superannuation. | Mobile telephone, road tolls and salary sacrifice arrangements for motor vehicle and superannuation. |
| Performance Based Remuneration | | |
| Annual target bonus | Nil | \$30,000 |
| Other benefits | Nil | Nil |
| Post-employment benefits | Nil | Nil |
| Post-employment restraint | 6 months | 6 months |
| Termination | 4 weeks notice | 4 weeks notice |
| Termination benefits | Nil | Nil |
| | | |
| Position | Luke Tuddenham President North America | |
| Fixed Remuneration | | |
| Base Salary | US\$215,000 | |
| Superannuation | US\$18,050 | |
| Non-monetary benefits | Mobile telephone, car park, road tolls and salary sacrifice arrangements for motor vehicle and superannuation. Mr Tuddenham is also entitled to additional expatriate benefits for himself and his family. | |
| Performance Based Remuneration | | |
| Annual target bonus | US\$125,000 | |
| Other benefits | Nil | |
| Post-employment benefits | Nil | |
| Post-employment restraint | 6 months | |
| Termination | 4 weeks notice | |
| Termination benefits | Nil | |

Directors' Report

Details of remuneration for the year ended 30 June 2020

Details of the nature and amount of each element of the remuneration of each director of the company and executive officers of the company and the group receiving the highest remuneration for the financial year are as follows:

| | Short-Term Benefits | | | Post Emp't Benefits | Other Long-Term Benefits | | Total | Performance related |
|---------------------------|---------------------|------------------|----------------|---------------------|--------------------------|----------------------|------------------|---------------------|
| | Salary | Short-term Bonus | Other Benefits | Super | Long Service Leave | Share Based Payments | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | | |
| Fred Grimwade | | | | | | | | |
| 2020 | 74,083 | - | - | 7,408 | - | - | 81,491 | 0.0% |
| 2019 | 77,982 | - | - | 7,408 | - | 860 | 86,250 | 1.0% |
| Nigel Sandiford | | | | | | | | |
| 2020 | 47,717 | - | - | 4,772 | - | - | 52,489 | 0.0% |
| 2019 | 37,671 | - | - | 3,579 | - | 860 | 42,110 | 2.0% |
| Gerry Tuddenham | | | | | | | | |
| 2020 | 400,031 | - | 9,658 | 25,000 | 8,184 | - | 442,873 | 0.0% |
| 2019 | 369,645 | - | 10,725 | 25,000 | 6,857 | 13,286 | 425,513 | 3.1% |
| Alan Baxter | | | | | | | | |
| 2019 | 20,819 | - | - | 1,937 | - | - | 22,756 | 0.0% |
| David Lynch | | | | | | | | |
| 2019 | 91,061 | - | 1,336 | 9,890 | - | - | 102,287 | 0.0% |
| Total Remuneration | | | | | | | | |
| 2020 | 521,831 | - | 9,658 | 37,180 | 8,184 | - | 576,852 | 0.0% |
| 2019 | 597,178 | - | 12,061 | 47,814 | 6,857 | 15,006 | 678,916 | 2.2% |
| Executive Officers | | | | | | | | |
| Grant Sincock | | | | | | | | |
| 2020 | 245,558 | - | 1,503 | 25,000 | 5,066 | - | 277,127 | 0.0% |
| 2019 | 250,058 | 30,000 | 1,385 | 25,000 | 5,063 | - | 311,506 | 9.6% |
| Luke Tuddenham | | | | | | | | |
| 2020 | 305,712 | 61,352 | 335,688 | 54,716 | 5,086 | - | 762,554 | 8.1% |
| 2019 | 315,971 | 410,743 | 263,112 | 31,171 | 5,063 | - | 1,026,060 | 40.0% |
| Total Remuneration | | | | | | | | |
| 2020 | 551,270 | 61,352 | 337,191 | 79,716 | 10,153 | - | 1,039,682 | 5.9% |
| 2019 | 566,029 | 440,743 | 264,497 | 56,171 | 10,126 | - | 1,337,566 | 32.9% |

Notes

1. The elements of remuneration have been determined based on the cost to the group.
2. Other Benefits for Mr Luke Tuddenham include expatriate costs

Directors' Report

Performance income as a proportion of total remuneration

Executive directors and executives are paid performance related bonuses based on set monetary figures, rather than proportions of salary since these payments are discretionary. This has led to the proportions of remuneration related to performance varying between individuals.

Performance Rights granted as remuneration

Terms and conditions for each grant:

| | Vested No. | Granted No. | Grant Date | Value per Share at Grant Date \$ | Exercise Price \$ | Last Exercise Date |
|-----------------|------------|-------------|------------|-------------------------------------|----------------------|--------------------|
| Gerry Tuddenham | - | 300,000 | 28/11/18 | \$0.145 | \$0.00 | 27/11/22 |
| Nigel Sandiford | - | 75,000 | 28/11/18 | \$0.145 | \$0.00 | 27/11/22 |
| Fred Grimwade | - | 75,000 | 28/11/18 | \$0.145 | \$0.00 | 27/11/22 |
| Total | - | 450,000 | | | | |

Further details on the service and performance criteria attached to these rights can be found in note 22.

| | Balance at beginning of Period | Granted as Remuneration | Rights Exercised | Rights Lapsed /Cancelled | Balance at End of Period | Exercisable at End of Period | Vested and Unexercised at End of Period |
|-----------------|--------------------------------|-------------------------|------------------|--------------------------|--------------------------|------------------------------|---|
| Gerry Tuddenham | 300,000 | - | - | - | 300,000 | - | - |
| Fred Grimwade | 75,000 | - | - | - | 75,000 | - | - |
| Nigel Sandiford | 75,000 | - | - | - | 75,000 | - | - |
| Total | 450,000 | - | - | - | 450,000 | - | - |

Directors' Report

Shareholdings of Key Management Personnel

Shares held by key management personnel directly, indirectly or beneficially including their related parties:

| Shares held in CPT Global Limited | Balance 1 July 2019 Ord | Granted as Remuneration Ord | On Exercise of Options Ord | Net Change Other Ord | Balance 30 June 2020 Ord |
|-----------------------------------|----------------------------|--------------------------------|-------------------------------|-------------------------|-----------------------------|
| Fred S Grimwade | 718,200 | - | - | - | 718,200 |
| Nigel Sandiford | 229,836 | - | - | - | 229,836 |
| Gerry Tuddenham | 11,740,432 | - | - | 1,206,470 | 12,946,902 |
| Specified Executives | | | | | |
| Grant Sincock | 191,402 | - | - | 4,908 | 196,310 |
| Luke Tuddenham | 868,972 | - | - | 22,282 | 891,254 |
| Total | 13,748,842 | - | - | 1,233,660 | 14,982,502 |

| Shares held in CPT Global Limited | Balance 1 July 2018 Ord | Granted as Remuneration Ord | On Exercise of Options Ord | Net Change Other Ord | Balance 30 June 2019 Ord |
|-----------------------------------|----------------------------|--------------------------------|-------------------------------|-------------------------|-----------------------------|
| Fred S Grimwade | 718,200 | - | - | - | 718,200 |
| Alan Baxter | - | - | - | - | - |
| Nigel Sandiford | - | - | - | 229,836 | 229,836 |
| Gerry Tuddenham | 11,388,970 | - | - | 351,462 | 11,740,432 |
| David Lynch | 417,458 | - | - | - | 417,458 |
| Specified Executives | | | | | |
| Grant Sincock | 185,671 | - | - | 5,731 | 191,402 |
| Luke Tuddenham | 842,955 | - | - | 26,017 | 868,972 |
| Total | 13,503,254 | - | - | 613,046 | 14,166,300 |

Directors' Report

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Directors' Meetings | | Finance and Audit Committee Meetings | | Remuneration and Nomination Committee Meetings | |
|-----------------|---------------------------|-----------------|--------------------------------------|-----------------|--|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Fred S Grimwade | 11 | 11 | 2 | 2 | 1 | 1 |
| Nigel Sandiford | 11 | 11 | 2 | 2 | 1 | 1 |
| Gerry Tuddenham | 11 | 11 | 2 | 2 | | |

Committee membership

As at the date of this report, the company had a Finance and Audit Committee and a Remuneration and Nomination Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Finance and Audit

Fred Grimwade (Chair)
Nigel Sandiford
Gerry Tuddenham

Remuneration and Nomination

Nigel Sandiford (Chair)
Fred Grimwade

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Finance and Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Finance and Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional & Ethical Standards Board.

The following fees for non-audit services were paid/payable to ShineWing Melbourne during the year ended 30 June 2020:

- Taxation compliance services \$23,495



Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 29 of the directors' report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Gerry Tuddenham', written over a light blue horizontal line.

Gerry Tuddenham
Managing Director
Melbourne, 30 September 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF CPT GLOBAL LIMITED
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi

Rami Eltchelebi
Partner

Melbourne, 30 September 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2020

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Revenue | 3 | 24,919 | 28,395 |
| Other income | 3 | 115 | 5 |
| Salaries and employee benefits expense | | (2,126) | (2,556) |
| Consultants benefits expense | | (17,907) | (20,003) |
| Depreciation and amortisation expenses | | (220) | (58) |
| Insurance expense | | (298) | (257) |
| Finance costs | | (184) | (209) |
| Occupancy Costs | | (376) | (546) |
| Other expenses | | (2,995) | (3,058) |
| Foreign currency (Losses) Gains | | (28) | 18 |
| PROFIT BEFORE INCOME TAX AND IMPAIRMENT | | 900 | 1,731 |
| Goodwill Impairment | 13 | (4,231) | - |
| PROFIT / (LOSS) BEFORE INCOME TAX | | (3,331) | 1,731 |
| INCOME TAX EXPENSE | 5 | (14) | (739) |
| PROFIT / (LOSS) AFTER INCOME TAX | | (3,345) | 992 |
| Other Comprehensive Loss: | | | |
| Items that may be subsequently reclassified to comprehensive income | | | |
| Exchange differences on translating foreign controlled entities | | (179) | 21 |
| Total Other Comprehensive Income for the year, net of tax | | (179) | 21 |
| TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR | | (3,524) | 1,013 |
| PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF CPT GLOBAL LIMITED | | (3,345) | 992 |
| TOTAL COMPREHENSIVE PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF CPT GLOBAL LIMITED | | (3,524) | 1,013 |
| Earnings per share after tax but before impairment | 25 | 2.30 | 2.62 |
| Basic earnings per share (cents per share) | 25 | (8.73) | 2.62 |
| Diluted earnings per share (cents per share) | 25 | (8.73) | 2.60 |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2020

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 3,133 | 1,653 |
| Trade and other receivables | 8 | 3,251 | 4,059 |
| Contract Asset | 9 | 1,115 | 1,583 |
| Current tax asset | 16 | 645 | - |
| Other current assets | 10 | 139 | 139 |
| TOTAL CURRENT ASSETS | | 8,283 | 7,434 |
| NON-CURRENT ASSETS | | | |
| Deferred tax assets | 16 | 1,092 | 1,096 |
| Property, plant and equipment | 12 | 702 | 30 |
| Intangible assets | 13 | - | 4,256 |
| TOTAL NON-CURRENT ASSETS | | 1,794 | 5,382 |
| TOTAL ASSETS | | 10,077 | 12,816 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 5,164 | 4,749 |
| Borrowings | 15 | 818 | 415 |
| Current tax liabilities | 16 | - | 400 |
| Provisions | 17 | 775 | 728 |
| TOTAL CURRENT LIABILITIES | | 6,757 | 6,292 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liability | 16 | 86 | 126 |
| Borrowings | 15 | 491 | - |
| Other long-term provisions | 17 | - | 30 |
| TOTAL NON-CURRENT LIABILITIES | | 577 | 156 |
| TOTAL LIABILITIES | | 7,334 | 6,448 |
| NET ASSETS | | 2,743 | 6,368 |
| EQUITY | | | |
| Issued capital | 18 | 12,396 | 12,308 |
| Reserves | 19 | 1,337 | 1,516 |
| Retained earnings | | (10,990) | (7,456) |
| TOTAL EQUITY | | 2,743 | 6,368 |

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2020

| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
|--|-------------------------------|----------------------|-------------------|---|----------------|
| | Issued capital Ordinary | Retained Earnings | Equity Reserve | Foreign Currency Translation Reserve | Total |
| Balance at 1 July 2018 | 12,228 | (8,262) | 1,691 | (211) | 5,446 |
| Comprehensive Income | | | | | |
| Profit for the year | | 992 | | | 992 |
| Other comprehensive profit | | | | 21 | 21 |
| Total comprehensive income for the year | | 992 | | 21 | 1,013 |
| Transactions with owners, in their capacity as owners | | | | | |
| Share based payments | | | 15 | | 15 |
| Dividends paid or provided for | | (186) | | | (186) |
| Issue of Shares | 80 | | | | 80 |
| Total transactions with owners, in their capacity as owners | 80 | (186) | 15 | | (91) |
| Balance at 30 June 2019 | 12,308 | (7,456) | 1,706 | (190) | 6,368 |
| Balance at 1 July 2019 | 12,308 | (7,456) | 1,706 | (190) | 6,368 |
| Comprehensive Income | | | | | |
| Profit for the year | | (3,345) | | | (3,345) |
| Other comprehensive profit | | | | (179) | (179) |
| Total comprehensive income for the year | | (3,345) | | (179) | (3,524) |
| Transactions with owners, in their capacity as owners | | | | | |
| Share based payments | | | | | |
| Dividends paid or provided for | | (189) | | | (189) |
| Issue of shares | 91 | | | | 91 |
| Shares cancelled | (3) | | | | (3) |
| Total transactions with owners, in their capacity as owners | 88 | (189) | | | (101) |
| Balance at 30 June 2020 | 12,396 | (10,990) | 1,706 | (369) | 2,743 |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2020

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 27,670 | 33,107 |
| Payments to suppliers and employees | | (24,919) | (31,815) |
| Interest received | | 3 | 5 |
| Finance costs | | (110) | (107) |
| Income tax paid | | (1,095) | (810) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 20 | <u>1,549</u> | <u>380</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment, software | | (19) | (26) |
| NET CASH FLOWS (USED IN) INVESTING ACTIVITIES | | <u>(19)</u> | <u>(26)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Shares bought back | | (3) | - |
| Repayments of borrowings | | (130) | (765) |
| Proceeds from borrowings | | 177 | 645 |
| Payment of dividends on ordinary shares | | (99) | (106) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | | <u>(55)</u> | <u>(226)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS HELD | | 1,474 | 128 |
| Add opening cash & cash equivalents brought forward | | 1,653 | 1,440 |
| Effects of exchange rate changes on cash and cash equivalents | | 6 | 85 |
| CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD | 7 | <u><u>3,133</u></u> | <u><u>1,653</u></u> |

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements Year Ended 30 June 2020

1. Summary of Significant Accounting Policies

The consolidated financial statements comprise the financial statements of CPT Global Limited and its controlled entities (collectively referred to as 'the Group' or 'the Economic Entity'). The separate financial statements of the Parent Entity, CPT Global Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The principal activities of the group during the financial year were the provision of specialist IT consultancy services. The registered address and principal place of business is level 3, 818 Bourke Street, Docklands, Victoria.

The financial report was authorised for issue on 29 September 2020 by the Board of Directors.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report, except for the cash flow information, has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are in Australian dollars unless otherwise stated.

Accounting Policies

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (CPT Global Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

The financial statements of the subsidiaries used in the preparation of these consolidated financial statements have been prepared as of the same reporting date as the parent.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(b) Income Tax

The income tax expense/(revenue) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income for the current period. Current tax liabilities/ (assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or subsequently enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Contract Assets

Contract assets are revenue that has not been invoiced at period end and is measured and recognised in accordance with the policies set out in note 1(p).

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(d) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and, where applicable impairment losses.

Property, Plant and equipment

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. When there are indications of any impairment, the recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---------------------------------|--------------------------|
| Leasehold improvements | 2 – 5 years |
| Fixtures Fittings and Equipment | 33% to 50% |
| Motor Vehicles | 12% to 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These gains and losses are recognised in profit and loss.

(e) Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. A right-of-use asset and a corresponding lease liability is recognised on the balance sheet for all lease arrangements in which CPT is the lessee, except for leases with a term of 12 months or less and leases of low value assets. The lease payments for these leases are recognised as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments less any lease incentives receivable;
- variable lease payments that depend on an index or rate which are initially measured using the index or rate at the commencement date;

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

- the amount expected to be paid under residual guarantees;
- the exercise price of purchase options if it is reasonably certain that the option will be exercised; and
- payments of penalties for terminating a lease if the lease term reflects the exercise of an option to terminate a lease.

Lease liabilities are presented in the borrowings line item in the consolidated statement of financial position.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount for lease payments made.

The lease liability is remeasured whenever:

- the lease term has changed or there has been a change in the assessment of the exercise of a purchase option as a result of a significant event or change in circumstances;
- the lease payments change due to a change in an index or a change in expected payment under a guaranteed residual value;
- a lease contract is modified and the modification is not accounted for as a separate lease.

Corresponding adjustments to the right-of-use asset are made whenever the lease liability is remeasured. No adjustments to the lease liability were required during this financial period.

Right-of use assets comprise the initial measurement of the lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. Subsequent measurement is at cost less accumulated depreciation and impairment losses.

Right-of use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is the shorter. Depreciation starts from the commencement date of the lease.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

On initial adoption of AASB 16 on 1 July 2019, the Group elected to use the 'cumulative catch-up' approach. Under this approach the lease liability was initially recognised at the present value of future lease payments and the right of use asset was valued at an amount equal to the lease liability.

The impact on initial adoption was to recognise right-of-use assets and lease liabilities in the statement of financial position at \$1.04 million. The incremental borrowing rate on initial application of AASB 16 was 7.20%.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at 30 June 2019 to the aggregate carrying amount of lease liabilities recognised at the date of the initial application on 1 July 2019:

| | \$'000 |
|--|---------------|
| <i>Aggregate non-cancellable operating lease commitments at 30 June 2019</i> | 329 |
| Add: future lease options accounted for under AASB 16 | 645 |
| Add: lease payments not previously included in non-cancellable operating lease commitments | 197 |
| Less: impact of discounting lease payments to present value at 1 July 2019 | (132) |
| <i>Carrying amount of lease liabilities recognised at 1 July 2019</i> | 1,039 |

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

For the comparative reporting period the following policy applied for operating leases:

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the lease term.

(f) Financial Instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured at either amortised cost or fair value subject to their classification. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- (i) *measured at amortised cost*
- (ii) *fair value through profit or loss; and*
- (i) *fair value through other comprehensive income.*

The classification of financial assets is based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

CPT does not have any financial assets categorised as fair value through other comprehensive income.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business and financial liabilities designated at fair value through profit or loss are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

Impairment of Financial Assets

At the end of each reporting period, the Group tests financial assets for impairment by applying the expected credit loss impairment model.

The Group has adopted the simplified approach under AASB 9 to measure the allowance for credit losses for receivables from contracts with customers and contract assets. The allowance for credit losses is determined based on the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the credit losses that are expected to result from default events over the life of the financial asset. The Group has no other financial assets subject to impairment testing under AASB 9.

In applying the simplified approach under AASB 9, the Group uses a provision matrix based on historical experience at the client and segment level, adjusted for factors that are specific to the financial asset, as well as current and future expected economic conditions relevant to the financial asset. The time value of money is incorporated into the measurement of expected credit losses if it is material. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

Contractual payments more than 180 days past due are considered default events for the purpose of measuring expected credit losses based on the historical experience of the Group.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

The measurement of expected credit losses reflects the Group's expected rate of loss and is measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the Group's exposure at default, discounted at the financial asset's effective interest rate, where appropriate.

Financial assets are considered credit impaired when one or more events has occurred that provides objective evidence that there has been a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is credit impaired include observable data that: the debtor has significant financial difficulties; the debtor is likely to enter bankruptcy or financial reorganisation; breaches of contract have occurred; and the debtor has defaulted or there is delinquency in payments. Financial assets which are not collectible are written off by reducing the carrying amount directly when CPT has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by CPT. Any financial assets that have been written off but subsequently recovered in whole or in part are recognised in profit or loss.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 15: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 15.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Receivables

Trade receivables are a part of financial instruments (loans and receivables) and are initially recognised at transaction price and are subsequently measured at amortised cost less any impairment allowance. Trade receivables are generally due for settlement within 30 days.

(h) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised as an expense in the profit and loss.

Impairment testing is performed annually for goodwill and other intangible assets with indefinite lives.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Non-financial assets, other than goodwill that suffered impairment, are reviewed for possible reversals of the impairment at the end of each reporting period.

(i) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intellectual Property

Intellectual property is recognised at the cost of acquisition and has an indefinite useful life. Intellectual property is tested annually for impairment and carried at cost less accumulated impairment losses. The intellectual property has an indefinite useful life as it has contributed to net cash inflows for 18 years and there is no limit to the period in which it could continue to contribute to net cash inflow.

Computer Software

Computer software is recognised at the cost of acquisition. Computer software costs have a finite useful life and are carried at cost less accumulated amortisation and any impairment losses. Computer software costs are amortised on a straight line basis over their useful life. The amortisation rate used for software costs varies from 14% to 50%.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are re-translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedges. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the underlying gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

On consolidation, exchange differences arising from translation of transactions considered to be net investment in foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(k) Trade and other payables

Trade and other payables are a part of financial instruments (Non-derivative financial liabilities). These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cashflows.

(i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled. When measuring sick leave entitlement, only the unutilised entitlement that is likely to be utilised over and above the leave entitlement that continues to accrue in the future periods is taken into account.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement benefit obligations*

Contributions to defined contributions superannuation funds are recognised as an expense as they become payable.

(iv) *Share based payments*

Share-based compensation benefits are provided to certain directors and employees via the CPT Employee Equity Plan. Information relating to this scheme is set out in note 22.

The fair value of performance rights granted under the CPT Employee Equity Plan is recognised as an employee benefit expense with a corresponding increase in equity in the period the rights are granted. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

The fair value of the rights granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At the end of each reporting period, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, if any, is recognised in the profit and loss with a corresponding adjustment to equity.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the end of the reporting period.

(n) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(p) Revenue and Other Income

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

The Group enters contracts with clients to provide IT consulting services on a time and materials, fixed price, milestone based and risk/reward basis, or variations thereof. The performance obligations in each contract are identified and the total transaction price for each contract is allocated against the various performance obligations based on their stand-alone selling prices. The transaction price excludes any amounts collected on behalf of third parties.

The Group determines the stand-alone selling price by direct reference to contracts and pricing schedules for the services being delivered.

Revenue is recognised either at a point in time or over time as performance obligations are satisfied by transferring the goods or services to the client. Revenue is recognised over time if:

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

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

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

When revenue is recognised over time the progress towards complete satisfaction of the performance obligations as the services are delivered is measured using the stage of completion method, except for risk/reward contracts as discussed below. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated hours for each performance obligation. Clients are invoiced monthly in arrears unless the contract specifies otherwise. Payment terms are generally 30 days. Any amounts that remain unbilled at the end of a reporting period are presented in the statement of financial position as contract assets. Only the passage of time is required before these amounts are invoiced and collected.

Risk/reward revenue is recognised by measuring the progress towards complete satisfaction of the performance obligations. The method of measuring progress is determined using an output method as the Group has determined that an output method best reflects the pattern of transfer of value to the customer. The output is measured in either MIPS or MSUs saved for the customer and the progress is measured by reference to the MIPS or MSUs saved to date as a percentage of total estimated MIPS or MSUs for each performance obligation. The MIPS or MSUs saved to date is determined by identifying all opportunities identified at a point in time and weighting the likelihood of the client realising the savings based on fixed and measurable stages in a risk/reward project. The weighting at each stage is based on the Group's experience completing risk/reward projects. Clients are invoiced in accordance with the contract terms which generally stipulate that invoices can be submitted when the savings have been measured and confirmed by the client and the Group. Payment terms are generally 30 days. Any amounts that remain unbilled at the end of a reporting period are presented in the statement of financial position as contract asset.

Clients may be invoiced in advance for the provision of services and this is recognised as a liability until the Group provides, and the client consumes, the benefits of the service.

Interest revenue is recognised on a proportional basis considering the effective interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(q) Borrowing Costs

All borrowing costs are expensed in the period in which they are incurred.

(r) Earnings per share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(s) Consumption Taxes (GST and VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST and VAT incurred is not recoverable from the taxation authority. In these circumstances the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST and VAT.

Cash flows are presented in the statement of cash flows inclusive of GST and VAT. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

(t) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

(u) Comparative Figures

When required by accounting standards, comparative figures have been restated to conform to changes in presentation for the current financial year.

(v) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000, or in certain cases the nearest dollar.

(w) Critical Accounting Estimates & Judgements

The directors evaluate estimates and judgements incorporated into the financial report 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.

Key estimates

(i) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Refer to Note 13 for details of the assumptions used in this calculation and the potential impact of changes to the assumptions.

Key judgements

(i) Impairment losses of receivables

An impairment loss is recognised based on an expected credit loss model. The Group assesses the expected credit loss based on individual debtor level expectations relative to credit terms.

(ii) Contract asset

The Group measures contract assets based on information available at the time of recognition. This information includes historical trends, data analysis, significant judgments from key management personnel as to the reasonable expectations of future events and completion of projects in progress. See Note 9 for further details.

Notes to the Financial Statements

Year Ended 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(iii) *Deferred taxes*

In assessing whether future taxable amounts will be available to utilise temporary differences and losses, management review the past performance of the relevant company, the budgets for the forthcoming financial year, forecasts and sales pipelines.

(x) Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact in the current or future reporting periods.

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Notes to the Financial Statements

Year Ended 30 June 2020

2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current Assets | 1,135 | 519 |
| Non-Current Assets | 1,136 | 4,836 |
| Total Assets | 2,271 | 5,355 |
| LIABILITIES | | |
| Current Liabilities | 4,050 | 764 |
| Non-Current Liabilities | 146 | 124 |
| Total Liabilities | 4,196 | 888 |
| EQUITY | | |
| Issued Capital | 12,396 | 12,308 |
| Reserves | 1,608 | 1,608 |
| Accumulated losses | (15,929) | (9,449) |
| Total Equity | (1,925) | 4,467 |

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| STATEMENT OF COMPREHENSIVE INCOME/(LOSS) | | |
| Total profit/(loss) | (6,097) | 1,868 |
| Total comprehensive profit/(loss) | (6,097) | 1,868 |

Guarantees

CPT Global Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries. Refer to Note 23 for details of bank guarantees in relation to leased offices.

3. REVENUE

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| REVENUE | | |
| Services Revenue – recognised over time | 24,919 | 28,395 |
| Total Revenue | 24,919 | 28,395 |
| OTHER INCOME | | |
| Interest Income | 3 | 5 |
| Government grants received | 100 | - |
| Other income | 12 | - |
| Total Other Income | 115 | 5 |

Notes to the Financial Statements

Year Ended 30 June 2020

4. PROFIT OR LOSS FOR THE YEAR

2020 **2019**
\$'000 **\$'000**

Profit or loss for the year also includes the following specific expense items:

Finance costs:

| | | |
|--|------------|-----|
| Interest expense on borrowings | 137 | 209 |
| Interest on lease liabilities | 48 | - |
| Total finance costs | 185 | 209 |
| Foreign currency translation losses | 28 | - |
| Occupancy expenses | 435 | 546 |
| Depreciation of property plant and equipment | 43 | 58 |
| Depreciation of right of use assets | 177 | - |
| Defined superannuation contribution expense – Others | 979 | 958 |
| Defined superannuation contribution expense – KMP | 119 | 125 |

5. INCOME TAX (BENEFIT) / EXPENSE

2020 **2019**
\$'000 **\$'000**

Tax expense comprises:

| | | |
|---|--------------|-----|
| Current tax | 379 | 567 |
| Deferred tax | 8 | 106 |
| Under/(over) provision of previous year | (373) | 66 |
| | 14 | 739 |

The prima facie tax on losses before income tax is reconciled to the income tax as follows:

| | | |
|--|--------------|-----|
| Prima facie tax on losses before income tax at 27.5% (2019: 27.5%) | (920) | 476 |
| Tax effect of | | |
| ▪ Impairment of goodwill | 1,164 | - |
| ▪ Change in tax rate | - | 60 |
| ▪ Tax on overseas income at a different rate | (5) | (1) |
| ▪ Other non-allowable items | 31 | 34 |
| ▪ Current year tax losses not brought to account | 59 | 39 |
| ▪ Government grants | (28) | - |
| ▪ Under/(over) provision of previous year | (373) | 70 |
| ▪ Non-deductible interest expense | 86 | 61 |
| Income tax expense attributable to the entity | 14 | 739 |

The applicable weighted average effective tax rates are as follows:

0% 43%

Notes to the Financial Statements

Year Ended 30 June 2020

6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

| | 2020 \$'000 | 2019 \$'000 |
|---|---------------------|----------------|
| (a) Dividends paid during the year | | |
| • <i>Current year interim</i> Franked dividends (0.0c per share) (2019: 0.25c per share) | - | 93 |
| • <i>Prior year final</i> Franked dividends (0.50c per share) (2019: 0.25c per share) | <u>189</u> | <u>93</u> |
| | <u>189</u> | <u>186</u> |
| (b) Dividends proposed and not recognised as a liability | | |
| • Franked dividends (1.25c per share) (2019: 0.50c per share) | <u>478</u> | <u>189</u> |
| (c) Franking credit balance | | |
| Balance of franking account at year end adjusted for: | | |
| • Franking debits arising from payment of proposed dividends | <u>2,527</u> | <u>2,421</u> |
| | <u>2,527</u> | <u>2,421</u> |

7. CASH AND CASH EQUIVALENTS

| | 2020 \$'000 | 2019 \$'000 |
|---|---------------------|----------------|
| Cash at bank | <u>3,133</u> | <u>1,653</u> |
| Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents | <u>3,133</u> | <u>1,653</u> |
| | <u>3,133</u> | <u>1,653</u> |

Notes to the Financial Statements

Year Ended 30 June 2020

8. TRADE AND OTHER RECEIVABLES

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--------------------------|-------|----------------|----------------|
| CURRENT | | | |
| Trade receivables | 8(a) | 3,229 | 4,035 |
| Provision for impairment | | (73) | (71) |
| | | 3,156 | 3,964 |
| Other receivables | | 95 | 95 |
| | | 3,251 | 4,059 |

- (a) Trade receivables are non-interest bearing and generally on 30 day terms. The average credit period on rendering of services is 46 days (2019: 49 days). An impairment of \$73k (2019: \$71k) has been recognised in trade receivables as detailed below. The movement in the provision is due to the movement of the US dollar against the Australian dollar.

Before accepting new customers, the Group assesses the creditworthiness of the potential client using information provided by independent rating agencies, publicly available information and its own trading record. The Group's client portfolio consists of leading blue chip companies, Fortune Global 500 companies and Government departments within Australia. The profile of the trade receivable balance as at the reporting date is as follows:

Of the trade receivable balance at the end of the reporting period:

- \$174k (2019: \$272k) was due from a leading banking institution in Australia with an S&P credit rating of AA-;
- \$247k (2019: \$42k) was due from a Tier 2 bank with an S&P credit rating of BBB+;
- \$501k (2019: \$16k) was due from a Victorian university;
- \$203k (2019: \$0) was due from a Victorian statutory authority;
- \$1,529k (2019: \$1,179k) was due from an Australian federal government agency; and
- \$218k (2019: \$0) was due from a global financial institution headquartered in the USA with an S&P credit rating of A+.

There are no other customers who represent more than 5% of the total balance of trade receivables.

Of the trade receivables balance at the end of the reporting period, a concentration of \$2.7m (84%) relates to Australia (2019: \$2.2m (57%)). The remaining amounts are not individually significant.

Trade receivables that are past due and are impaired

Included in the trade receivables balance is a debtor with a carrying amount of \$78k (2019: \$78k) which is past due at the end of the reporting period. A provision for impairment of \$73k, including the movement in foreign exchange, was recorded in the 2018 financial year to recognise management's assessment that this amount is unlikely to be recovered due to a dispute about the measurement of the benefits realised which has been complicated by a change in ownership at the client. The provision has been maintained in the 2020 financial year with the change being the impact of movements in foreign exchange rates.

Trade receivables that are past due but not impaired

Included in the trade receivable balance are debtors with a carrying amount of \$152k (2019: \$171k) in the group which are past due at the end of the reporting period but have not been provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The entire balance relates to a client with an S&P credit rating of A+ with whom the Group has traded with for more than one year with no history of delinquency. The nature of the client, namely a global bank listed on the NYSE, gives further confidence that these past due balances are not impaired. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

Year Ended 30 June 2020

8. TRADE AND OTHER RECEIVABLES (Cont.)

The ageing analysis of trade receivables is:

| | 2020 | 2019 |
|----------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| 1-3 months | 161 | 181 |
| Within initial trade terms | 2,995 | 3,783 |
| | <u>3,156</u> | <u>3,964</u> |

The carrying value of trade and other receivables approximates its fair value. Trade and other receivables are recoverable within 12 months, hence the effects of discounting is immaterial.

9. CONTRACT ASSETS (CURRENT)

| | 2020 | 2019 |
|--------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Contract asset | 1,188 | 1,654 |
| Provision for impairment | (73) | (71) |
| Total | <u>1,115</u> | <u>1,583</u> |

Contract asset represents amounts relating to revenue recognised in accordance with the accounting policies detailed in Note 1(c) that had not been invoiced to the customer as at the end of the reporting period. There is \$0k contract asset (2019: \$30k) that was initially recognised more than 12 months prior to the end of the reporting period.

The balance has decreased by \$0.5m. At 30 June 2019 we had contract asset in Canada and Asia of \$0.5m across 8 clients. At 30 June 2020 we had one active account in Asia and Canada with minimal WIP.

The directors expect all contract asset to be billed in full during the 2020 financial year.

The provision for impairment of contract asset relates to the same client to which the trade receivable impairment described in Note 8 relates. It is management's assessment that this amount is unlikely to be recovered due to a dispute about the measurement of the benefits realised which has been complicated by a change in ownership at the client.

10. OTHER CURRENT ASSETS

| | 2020 | 2019 |
|-------------|------------|------------|
| | \$'000 | \$'000 |
| Prepayments | 139 | 139 |
| | <u>139</u> | <u>139</u> |

Prepayments consists of insurance policies, licence fees, subscriptions and other expenses.

Notes to the Financial Statements

Year Ended 30 June 2020

11. INTERESTS IN SUBSIDIARIES

| Name | Country of incorporation | Percentage of equity & voting interest held by the economic entity | |
|--|--------------------------|--|-----------|
| | | 2020 % | 2019 % |
| CPT Global Ltd | United Kingdom | 100 | 100 |
| CPT Global GmbH | Germany | 100 | 100 |
| CPT Global Inc | USA | 100 | 100 |
| CPT Global Consulting Corp | Canada | 100 | 100 |
| CPT Global France | France | 100 | 100 |
| CPT Global Australia Pty Ltd | Australia | 100 | 100 |
| CPT Global International Pty Ltd | Australia | 100 | 100 |
| CPT Global Pte Ltd | Singapore | 100 | 100 |
| CPT Global SRL | Italy | 100 | 100 |
| CPT Consultoria Global Em Informatica Ltda | Brazil | 100 | 100 |

There are no known restrictions on the transfer of cash or assets within the group. No subsidiaries were acquired or sold during the financial year.

12. PROPERTY, PLANT AND EQUIPMENT

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| <i>Motor vehicles</i> | | |
| At cost | 36 | 35 |
| Disposals | - | - |
| Accumulated depreciation | (36) | (35) |
| | - | - |
| <i>Office equipment</i> | | |
| At cost | 131 | 105 |
| Disposals | - | - |
| Purchases | 8 | 26 |
| Accumulated depreciation | (119) | (101) |
| | 20 | 30 |
| <i>Furniture, fixtures and fittings</i> | | |
| At cost | 5 | 4 |
| Disposals | - | - |
| Purchases | - | 1 |
| Accumulated depreciation | (4) | (4) |
| | 1 | 1 |
| <i>Right of Use Assets</i> | | |
| At cost | 858 | - |
| Disposals | (177) | - |
| | 681 | - |
| Total property, plant and equipment | 702 | 31 |

Notes to the Financial Statements

Year Ended 30 June 2020

12. PROPERTY, PLANT AND EQUIPMENT (Cont.)

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| <i>Motor vehicles</i> | | |
| Cost at beginning of year | 35 | 33 |
| Purchases | - | - |
| Disposals | - | - |
| Movements in exchange rate | 1 | 2 |
| Cost at end of year | 36 | 35 |
| Accumulated depreciation at beginning of year | (35) | (33) |
| Depreciation and effects of movements in exchange rate | (1) | (2) |
| Write back of accumulated amortisation on disposals | - | - |
| Accumulated depreciation at end of year | (36) | (35) |
| Carrying amount | - | - |
| <i>Office Equipment</i> | | |
| Cost at beginning of year | 131 | 105 |
| Purchases | 8 | 26 |
| Disposals | - | - |
| Cost at end of year | 139 | 131 |
| Accumulated depreciation at beginning of year | (101) | (88) |
| Depreciation and effects of movements in exchange rate | (18) | (13) |
| Write back of accumulated amortisation on disposals | - | - |
| Accumulated depreciation at end of year | (119) | (101) |
| Carrying value | 20 | 30 |
| <i>Furniture, fixtures and fittings</i> | | |
| Cost at beginning of year | 5 | 4 |
| Purchases | - | 1 |
| Disposals | - | - |
| Cost at end of year | 5 | 5 |
| Accumulated depreciation at beginning of year | (4) | (4) |
| Write back of accumulated amortisation on disposals | - | - |
| Depreciation | - | - |
| Accumulated depreciation at end of year | (4) | (4) |
| Carrying amount | 1 | 1 |

Notes to the Financial Statements

Year Ended 30 June 2020

12. PROPERTY, PLANT AND EQUIPMENT (Cont.)

| | 2020 \$'000 |
|---|----------------|
| <i>Right of use assets</i> | |
| Cost at beginning of year | - |
| Initial recognition under AASB16 | 1,040 |
| Early termination of lease | (182) |
| Cost at end of year | 858 |
| Accumulated depreciation at beginning of year | - |
| Depreciation | (177) |
| Accumulated depreciation at end of year | 177 |
| Carrying amount | 681 |

13. INTANGIBLE ASSETS

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Goodwill at cost | 9,659 | 9,659 |
| Accumulated impairment losses | (9,659) | (5,502) |
| Total goodwill | - | 4,157 |
| Intellectual Property at cost | - | 75 |
| Accumulated impairment losses | (75) | - |
| Total intellectual property | - | 75 |
| Software at cost | 750 | 750 |
| Disposals | - | - |
| Write back of accumulated amortisation on disposals | - | - |
| Accumulated amortisation | (750) | (726) |
| Total software | - | 24 |
| Total intangible assets | - | 4,256 |

Year ended 30 June 2019

| | Goodwill \$'000 | Intellectual Property \$'000 | Software \$'000 |
|--------------------------------------|--------------------|------------------------------------|--------------------|
| Balance at the beginning of the year | 4,157 | 75 | 116 |
| Amortisation charge | - | - | 46 |
| | 4,157 | 75 | 24 |

Year ended 30 June 2020

| | | | |
|--------------------------------------|---------|------|----------|
| Balance at the beginning of the year | 4,157 | 75 | 24 |
| Impairment charge | (4,157) | (75) | - |
| Amortisation charge | - | - | 23 |
| | - | - | 1 |

Notes to the Financial Statements

Year Ended 30 June 2020

13. INTANGIBLE ASSETS (continued)

Intangible assets other than goodwill and intellectual property have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill and intellectual property have indefinite useful lives because these intangible assets arose on the acquisition of businesses purchased as going concerns. These businesses continue to be operated within the CPT Global Group and there are no plans to cease any part of these operations.

Goodwill is allocated to cash-generating units, based on the Group's reporting segment.

| | 2020 \$'000 | 2019 \$'000 |
|--------------------|----------------|----------------|
| Australian Segment | - | 4,157 |
| | - | 4,157 |

At 31 December 2019 there was an impairment indicator asset assessment undertaken of the intangible assets allocated to the Australian CGU. As the Australian CGU had not achieved its revenue budget for the 6 month period to 31 December 2019, an indicator of impairment existed and a valuation of intangible assets was performed to determine the recoverable amount.

The valuation confirmed that the balance of goodwill and intellectual property were impaired and an impairment loss of \$4.2 million was recognised in the Statement of Profit and Loss. The impairment loss results in goodwill and intellectual property being impaired to zero in the Statement of Financial Position.

The recoverable amount of cash-generating units is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of the projected cash flows from that cash-generating unit over 5 years; periods beyond 5 years have been extrapolated using the terminal value growth rate of 3.5% (30 June 2019: 3.5%).

Key Assumptions

The following key assumptions were used in determining the recoverable amount of goodwill:

| | Discount rate | | Gross Margin | | Compound Annual Revenue Growth | | Terminal Growth Rate | |
|--|---------------|-------|--------------|-------|--------------------------------|------|----------------------|------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | Australia | 19.4% | 19.4% | 27.6% | 29.0% | 4.0% | 8.9% | 3.5% |

Management based the value-in-use calculations on budgets and estimates for the CGU. The value-in-use is most sensitive to the following assumptions:

- Discount rate;
- Gross profit margins;
- Revenue growth rates;
- Terminal growth rates; and
- Corporate costs.

Discount rate – the discount rate is a pre-tax rate and reflects the risks associated with the CGU.

Gross profit margins – values assigned reflect past experience, margins on existing contracts and analysis of the market conditions.

Revenue growth rates – reflects management's expectations of revenue growth in the context of the Group's Australian market strategy. Compound annual sales growth represents the annual growth rate over the 5 year forecast period. Revenue growth from FY19 to FY20 is budgeted at 5%.

Notes to the Financial Statements

Year Ended 30 June 2020

13. INTANGIBLE ASSETS (continued)

Terminal growth rates – reflect management’s expectation of revenue and profit growth in the periods beyond the 5 year forecast and are based on expected growth during the forecast period, long term historical growth, industry forecasts, operating leverage and level of fixed and variable costs.

Corporate costs – corporate costs are allocated to the CGU based upon the CGU’s proportional contribution to the revenue of the Group.

14. TRADE AND OTHER PAYABLES

| | 2020 \$'000 | 2019 \$'000 |
|--------------------------|----------------|----------------|
| CURRENT | | |
| Trade and other payables | 2,995 | 2,368 |
| Accruals | 1,165 | 1,453 |
| Annual leave provision | 460 | 476 |
| Contract liabilities | 544 | 452 |
| | 5,164 | 4,749 |

Due to the short-term nature of these payables, their carrying value is assumed to approximate to their fair value. There are no financial guarantees in place other than the bank guarantee for the head office lease as disclosed in Note 23.

Contract liabilities are recorded as a current liability as the underlying performance obligations are expected to be completed within 12 months. The balance of unearned revenue at 30 June 2019 was recognised as revenue in FY2020.

15. BORROWINGS

| | Note | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| CURRENT | | | |
| Secured borrowings | 15(a) | 592 | 415 |
| Lease liabilities | 15(b) | 226 | - |
| Total current borrowings | | 818 | 415 |
| NON-CURRENT | | | |
| Lease liabilities | 15(b) | 491 | - |
| Total non-current borrowings | | 491 | |
| Unutilised financing facilities | | | |
| Credit facility available | | 5,000 | 5,000 |
| Amount secured utilised | 15(a) | (592) | (415) |
| | | 4,408 | 4,585 |

(a) The parent entity has a debtors financing facility in place. The facility is secured by a first registered company charge (mortgage debenture) over the carrying value of the total assets of the parent entity, which totalled \$5.4m at the end of the reporting period. Interest is charged at a 5.5% margin above the 90 day Bank Bill Swap Rate. The maximum facility is \$5m with the available facility based on the value of the Australian debtor book. At 30 June 2020, the available funding under the facility was \$0.8m.

(b) Lease liabilities were initially recognised at the beginning of this financial year under AASB 16, therefore there is no comparative information. The maturity analysis of lease liabilities is disclosed with financial liabilities in note 30(c).

Notes to the Financial Statements

Year Ended 30 June 2020

16. TAX

| | 2020 | 2019 |
|--|--------------|--------|
| | \$'000 | \$'000 |
| LIABILITIES | | |
| Current | | |
| Current tax liability | - | 400 |
| Non Current | | |
| Deferred tax liabilities comprise: | | |
| Prepayments | 11 | 7 |
| Unrealised foreign exchange gain | 75 | 118 |
| | 86 | 125 |
| Reconciliation of deferred tax liabilities | | |
| Opening balance | 125 | 182 |
| Credited to the statement of comprehensive income as current tax | (39) | (57) |
| Closing balance | 86 | 125 |
| ASSETS | | |
| Current | | |
| Current tax asset | 645 | 400 |
| Non Current | | |
| Deferred tax assets comprise: | | |
| Foreign currency losses | 204 | 186 |
| Borrowing costs | - | 496 |
| Employee entitlements | 339 | 369 |
| Accruals | 48 | 32 |
| Property, plant & equipment | 1 | 3 |
| Income losses | 491 | - |
| Capital losses | 9 | 9 |
| | 1,092 | 1,096 |
| Reconciliation of deferred tax assets | | |
| Opening balance | 1,096 | 1,259 |
| (Debited)/Credited to the statement of comprehensive income | 5 (4) | (163) |
| Closing balance | 1,092 | 1,096 |

The future income tax benefit of the deferred tax assets will only be realised if the conditions of deductibility set out in Note 1(b) occur. Deferred tax assets not brought to account for which the benefits will only be realised if the conditions for deductibility set out in Note 1(b) occur amount to \$1,178,382 (2019: \$1,093,933). CPT Global's tax losses that have not been brought to account are generally not subject to restrictions. Of the losses not brought to account in FY2020 72% relate to the UK.

Notes to the Financial Statements

Year Ended 30 June 2020

17. PROVISIONS

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Current | | |
| Employee benefits – Long Service Leave | 775 | 728 |
| Total Current Provisions | <u>775</u> | <u>728</u> |
| Non-Current | | |
| Employee benefits – Long Service Leave | - | 31 |
| Total Non-Current Provisions | <u>-</u> | <u>31</u> |
| Total Provision | <u><u>775</u></u> | <u><u>759</u></u> |

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(l) to these financial statements.

Analysis of Total Provisions

| | Long Service Leave | Total |
|--------------------------------|--------------------|-------------------|
| | \$'000 | \$'000 |
| Opening balance at 1 July 2019 | 759 | 759 |
| Provided for during the year | 91 | 91 |
| Taken during the year | (75) | (75) |
| Balance at 30 June 2020 | <u><u>775</u></u> | <u><u>775</u></u> |

18. ISSUED CAPITAL

(a) Issued and paid up capital

| | 2020 | 2019 |
|--------------------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| 38,260,251 (2019: 37,824,667) | | |
| fully paid ordinary shares | 12,396 | 12,308 |
| | <u><u>12,396</u></u> | <u><u>12,308</u></u> |

(b) Movements in shares on issue

| | 2020 | | 2019 | |
|----------------------------------|--------------------------|----------------------|------------------|--------|
| | Number of shares | \$'000' | Number of shares | \$'000 |
| Beginning of the financial year | 37,824,667 | 12,308 | 37,318,525 | 12,228 |
| New shares issued | 464,383 | 91 | 506,142 | 80 |
| Shares bought back and cancelled | (28,799) | (3) | - | - |
| End of the financial year | <u><u>38,260,251</u></u> | <u><u>12,396</u></u> | 37,824,667 | 12,308 |

- (i) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. During the year ended 30th June 2020 28,799 ordinary shares were bought back under the on market buyback (2019: Nil). Ordinary shares have no par value.
- (ii) The on market buyback commenced on the 27th August 2002 with 3,000,000 shares being the maximum to be bought back of which 2,385,106 were outstanding as at 30 June 2020.

Notes to the Financial Statements

Year Ended 30 June 2020

18. ISSUED CAPITAL (Cont.)

(c) Options

For information relating to the CPT Global Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 22 Share based payments.

For information relating to share options issued to key management personnel during the financial year, refer to the Note 22 Share Based Payments.

(d) Capital Management

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Group does not currently have significant debt capital employed in the business as indicated in the following table. Management effectively manages the group's capital by assessing the group's financial risks and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, share buy-backs and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains at an appropriate level between 0% and 50%.

The gearing ratios for the year ended 30 June 2020 and 30 June 2019 are as follows:

| | 2020 | 2019 |
|--------------------------------|----------------|---------------|
| | \$'000 | \$'000 |
| Borrowings | 592 | 415 |
| Lease liabilities | 717 | - |
| Less cash and cash equivalents | (3,133) | (1,653) |
| Net cash | (1,824) | (1,238) |
| Total equity | 2,743 | 6,368 |
| Total capital employed | 2,743 | 6,368 |
| Gearing ratio | 0% | 0% |

A bank guarantee facility provided by the Company's banker is cash backed in the amount of \$191k. The cash is not available for CPT Global to utilise until the bank guarantee is returned to our Banker at the end of the lease. The lease expires in May 2021.

Notes to the Financial Statements

Year Ended 30 June 2020

19. RESERVES

(a) Foreign currency translation

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries.

(b) Equity reserve

The equity reserve is a non-distributable reserve used to record share based payment expense.

(c) Analysis of items of other comprehensive income by each class of reserve

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Foreign currency translation reserve | | |
| Exchange difference on translating foreign controlled entities | (179) | 21 |
| Movement in foreign currency translation reserve | (179) | 21 |
| Total other comprehensive income for the year | (179) | 21 |

20. CASH FLOW INFORMATION

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| (a) Reconciliation of the profit after tax to the net cash flows from operations | | |
| Net profit | (3,345) | 992 |
| Non-Cash Items | | |
| Depreciation and amortisation of non-current assets | 220 | 58 |
| Share based payment | - | 15 |
| Impairment loss | 4,232 | - |
| Changes in assets and liabilities | | |
| Decrease in trade and term receivables | 660 | 732 |
| Decrease/(Increase) in prepayments | (28) | 220 |
| (Increase)/decrease in contract asset | 468 | 700 |
| (Increase)/decrease in deferred tax asset | 4 | 163 |
| Increase/(decrease) in trade payables and accruals | 484 | (1,973) |
| Increase/(decrease) in income taxes payable | (1,106) | (178) |
| (Decrease) in deferred tax liabilities | (40) | (56) |
| (Decrease) in employee entitlements | - | (293) |
| Net cash flow from operating activities | 1,549 | 380 |

There were no acquisitions or disposals of subsidiaries in the 2020 financial year.

(a) Changes in liabilities arising from financing activities

| | 1 July 2019 \$000 | Cash flows | Non-cash changes Re-classification | 30 June 2020 \$000 |
|------------------------------|----------------------|------------|---------------------------------------|-----------------------|
| Short term borrowings | 415 | 177 | - | 592 |

Notes to the Financial Statements

Year Ended 30 June 2020

21. EXPENDITURE COMMITMENTS

The following disclosures relate to the 2019 financial year. With the adoption of AASB16, operating lease commitments have been recognised on balance sheet as lease liabilities from 1 July 2019.

(a) Lease expenditure commitments 2019

(i) Operating leases (non-cancellable): \$'000

Minimum lease payments

- not later than one year 168

- later than one year and not later than five years 160

328

Note:

The property lease is non-cancellable with a remaining term of 23 months. Rent is payable monthly in advance and the amounts disclosed do not include GST. An option exists to renew the lease for a further period of 3 years.

22. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2020:

| Directors Performance Rights | Issue date | Expiry date | Exercise Price | As at 1 July 2019 | Granted | Forfeited/ Exercised/ transferred/ expired | As at 30 June 2020 |
|------------------------------------|---------------|----------------|-------------------|----------------------|---------|---|-----------------------|
| | 28/11/18 | 28/11/22 | \$0.00 | 450,000 | - | - | 450,000 |
| | | | | 450,000 | - | - | 450,000 |

On 28 November 2018, at the Company's Annual General Meeting, 450,000 performance rights were granted to directors to take up ordinary shares at an exercise price of \$0.00 per share. The fair value of these performance rights at the date of grant was \$28k. The fair value has been calculated using a Black Scholes pricing methodology using the following inputs:

| | |
|---------------------------------|---------|
| Weighted average exercise price | \$0.00 |
| Maximum life of right | 4 years |
| Underlying share price | \$0.145 |

As the exercise price is \$0.00, share price volatility, risk free interest rate and dividend yield do not have a material impact on the fair value of the performance rights.

Notes to the Financial Statements

Year Ended 30 June 2020

22. SHARE-BASED PAYMENTS (Cont.)

The exercise of these performance rights is contingent upon the following conditions being met:

| No of Shares to be Issued | Conditions to be met |
|---------------------------|--|
| 100,000 | The highest quoted (buy) price for CPT Global shares reaching or exceeding \$0.37 for 5 consecutive business days during the period 28 November 2018 and 30 June 2019 (both dates inclusive) |
| 50,000 | The Company's after tax profit (as reported in the Company's 2019 annual report) reaching or exceeding \$1.02m for the 2019 fiscal year |
| 100,000 | The highest quoted (buy) price for CPT Global shares reaching or exceeding \$0.56 for 5 consecutive business days during the period 1 July 2019 and 30 June 2020 (both dates inclusive) |
| 50,000 | The Company's after tax profit (as reported in the Company's 2020 annual report) reaching or exceeding \$1.54m for the 2020 fiscal year |
| 100,000 | The highest quoted (buy) price for CPT Global shares reaching or exceeding \$0.84 for 5 consecutive business days during the period 1 July 2020 and 30 June 2021 (both dates inclusive) |
| 50,000 | The Company's after tax profit (as reported in the Company's 2021 annual report) reaching or exceeding \$2.0m for the 2021 fiscal year |

The performance rights hold no voting or dividend rights, are not transferrable and will lapse in the event of the resignation of a director. At the date of this report, all directors in receipt of the performance options remain employed by CPT.

An amount of \$0k pertaining to these entitlements has been included in the statement of comprehensive income for the period.

Information with respect to the number of performance rights granted is as follows:

| | 2020 | | 2019 | |
|--|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Number of options | Weighted average exercise price \$ | Number of options | Weighted average exercise price \$ |
| Outstanding at the beginning of the year | 450,000 | 0.00 | 800,000 | 0.00 |
| Granted | - | 0.00 | 450,000 | 0.00 |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Cancelled | - | 0.00 | 800,000 | 0.00 |
| Expired | - | 0.00 | - | 0.00 |
| Outstanding at year end | 450,000 | 0.00 | 450,000 | 0.00 |

At 30 June 2020, there were NIL (2019: NIL) performance rights vested but not exercised.

There are no other options or performance rights granted by CPT Global Limited to any other party. Options do not confer on the holder any right to vote or participate in the dividends of the economic entity and are not transferable.

Notes to the Financial Statements

Year Ended 30 June 2020

23. CONTINGENT LIABILITIES

Guarantees

CPT Global Limited has provided a guarantee \$123k (2019: \$123k) to third parties in relation to its performance and obligations in respect of property lease rentals. The guarantee is secured against a term deposit equal to the value of the guarantee. The guarantee is for the term of the lease. The guarantee for lease covers the next 11 months.

24. EVENTS AFTER THE REPORTING PERIOD

On 25th August 2020 CPT Global Limited announced its intention to extend the on-market share buy back for a further twelve months until 28th August 2021. A maximum of 3,000,000 shares may be bought back during the buy back period, which will run from 28th August 2020 until 28th August 2021.

On 25th August 2020, a fully franked final dividend of 1.25 cents per share was declared for the 2020 financial year.

25. EARNINGS PER SHARE

(a) The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | 2020 \$'000 | 2019 \$'000 |
|--|-----------------------------|-----------------------------|
| Net (loss)/profit & earnings used in calculating basic and diluted earnings per share | (3,345) | 992 |
| Impairment expense | 4,232 | - |
| Earnings used in calculating earnings per share after tax but before impairment | <u>887</u> | <u>992</u> |
| | Number of shares | Number of shares |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 38,260,251 | 37,824,667 |
| Weighted average number of options outstanding | - | 300,000 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | <u>38,260,251</u> | <u>38,124,667</u> |

26. AUDITORS' REMUNERATION

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Amounts received or due and receivable by ShineWing Australia and Mazars London for: | | |
| • an audit or review of the financial report of the parent and any other entity in the Group | 174 | 164 |
| • other services in relation to the entity and any other entity in the Group | | |
| - tax compliance | 24 | 16 |
| - other services | <u>1</u> | <u>4</u> |

Other services relate to accounting and taxation services.

Notes to the Financial Statements

Year Ended 30 June 2020

27. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of economic entity key management personnel in office at any time during the financial year are:

| Key Management Person | Position |
|-----------------------|---|
| Fred S Grimwade | Non-executive Chairman |
| Nigel Sandiford | Non-executive Director |
| Gerry Tuddenham | Managing Director |
| Grant Sincock | Company Secretary and Chief Financial Officer |
| Luke Tuddenham | President North America |

b) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Group's key management personnel for the year ended 30 June 2020.

The totals of remuneration paid to key management personnel of the company and the Group during the year are as follows:

| | 2020 \$000 | 2019 \$000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 1,482 | 1,881 |
| Post-employment benefits | 117 | 104 |
| Other long-term benefits | 18 | 17 |
| Share based payments | - | 15 |
| | 1,617 | 2,016 |

28. RELATED PARTY DISCLOSURES

(a) Controlling Relationships

Interests in subsidiaries are set out in note 11. The parent entity and the ultimate controlling party of the group is CPT Global Limited. All transactions within the group were done on an arm's length basis.

(b) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report and note 27. Key management personnel include the board of directors and key executives who are accountable and responsible for the operational, management and strategic direction of the Group.

(c) Transactions with related parties

During the financial year there were no transactions with related parties.

Notes to the Financial Statements

Year Ended 30 June 2020

29. OPERATING SEGMENTS

Identification of Reportable Segments

CPT Global Limited has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing the performance and determining the allocation of resources. The reportable segments disclosed are based on a geographical basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- services provided by the segment;
- the type of customer for the services provided; and
- external regulatory requirements

Types of Services by Segment

Below outlines the major lines of services provided to customers for each reportable segment:

Australia

- Digital Consulting
- Capacity Planning
- Cost Reduction Sustainable
- Mainframe & Midrange performance
- Project & Program management
- Technical Support services
- Management IT (MIT)
- Management, Functional & Automation Testing

Europe

- Mainframe & Midrange performance
- Technical Support services

North America

- Mainframe & Midrange performance
- Management, Functional & Automation Testing

Basis of accounting for purposes of reporting by reportable segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of CPT Global Limited.

Inter-segment transactions

Segment revenues, expenses and results exclude transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar services to parties outside of the Group on an arm's length basis. These transfers are eliminated on consolidation.

Segment Assets and Liabilities

Segment assets and liabilities reported are based on the internal reports reviewed by the Board of Directors. Assets include trade debtors and contract asset balances. Liabilities include trade creditors and accruals.

Unallocated items

The Board of Directors review segment performance to the gross profit level. All other items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment. Liabilities are not reported by segment for internal reporting purposes for the Board of Directors and therefore have been treated as unallocated items.

Notes to the Financial Statements

Year Ended 30 June 2020

29. OPERATING SEGMENTS (continued)

Segment Performance

| | Australia | | Europe | | North America | | Consolidated | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| REVENUE | | | | | | | | |
| External Sales recognised over time | 13,343 | 14,820 | 341 | 540 | 11,236 | 13,035 | 24,919 | 28,395 |
| Total Group Revenue | | | | | | | 24,919 | 28,395 |
| Segment Gross Profit before tax | 3,687 | 3,804 | 89 | 262 | 4,889 | 5,872 | 8,780 | 9,943 |
| <i>Reconciliation of segment result to group profit/loss before tax</i> | | | | | | | | |
| Goodwill impairment | | | | | | | (4,232) | - |
| Unallocated Items | | | | | | | | |
| - Overheads | | | | | | | (7,880) | (8,212) |
| Profit/ (Loss) before tax | | | | | | | (3,331) | 1,731 |

Segment Assets

| | Australia | | Europe | | North America | | Consolidated | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Segment Assets | 2,877 | 2,648 | 41 | 167 | 1,353 | 2,732 | 4,271 | 7,124 |
| Segment asset increases for the period: | | | | | | | | |
| - Capital Expenditure | - | - | - | - | - | - | - | - |
| | 2,877 | 2,648 | 41 | 167 | 1,353 | 2,732 | 4,271 | 7,124 |
| <i>Reconciliation of segment assets to group assets</i> | | | | | | | | |
| Unallocated assets: | | | | | | | | |
| - Goodwill | - | 4,232 | - | - | - | - | - | 4,232 |
| - Property, plant & equipment | | | | | | | 702 | 87 |
| - Other Assets | | | | | | | 5,104 | 2,941 |
| Total Group Assets | | | | | | | 10,077 | 14,384 |

Notes to the Financial Statements

Year Ended 30 June 2020

29. OPERATING SEGMENTS (Continued)

Segment Liabilities

| | Australia | | Europe | | North America | | Consolidated | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Segment Liabilities | 6,162 | 3,756 | 440 | 194 | (129) | 1,137 | 6,472 | 5,087 |
| Segment liability increases for the period: | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| | 6,162 | 3,756 | 440 | 194 | (129) | 1,137 | 6,472 | 5,087 |
| <i>Reconciliation of segment liabilities to group liabilities</i> | | | | | | | | |
| Unallocated liabilities: | | | | | | | | |
| - Provisions | 786 | 1,242 | - | - | 76 | 119 | 862 | 1,361 |
| - Other Liabilities | - | - | - | - | - | - | - | - |
| Total Group Liabilities | | | | | | | 7,334 | 6,448 |

Major Customers

CPT Global Limited provides services to a range of clients in the financial services and telecommunications industries. CPT's top 10 clients account for 84% of the group's global revenue (2019: 81%), totalling \$20.8m (2019: \$22.9m). Five of CPT's clients contributed more than 10% of the annual revenue (26% - a major American bank, 25% - an Australian government department, 8% - an American insurance company, 6% - a major Australian Bank and 6% - an Australian university).

30. FINANCIAL INSTRUMENTS

Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives may be used by the Group for hedging purposes. Such instruments include forward exchange and currency option contracts. The Group does not speculate in the trading of derivative instruments.

The board of directors is responsible for monitoring and managing financial risk exposures of the Group. The board reviews the effectiveness of internal controls relating to interest rate risk and foreign currency risk. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance from financial and currency rate risk.

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

(a) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value and cash flows will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Notes to the Financial Statements

Year Ended 30 June 2020

30. FINANCIAL INSTRUMENTS (Continued)

| Economic Entity | Floating interest rate | | Fixed interest rate maturing in 1 to 5 years | | Non-interest bearing | | Total carrying amount as per statement of financial position | | Weighted average effective interest rate | |
|---|------------------------|----------------|--|----------------|----------------------|----------------|--|----------------|--|-----------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 % | 2019 % |
| <i>(i) Financial assets</i> | | | | | | | | | | |
| Cash and cash equivalents | 3,133 | 1,653 | - | - | - | - | 3,133 | 1,653 | 0.1 | 0.3 |
| Trade receivables | | - | - | - | 3,251 | 4,059 | 3,251 | 4,059 | | |
| Total financial assets | 3,133 | 1,653 | - | - | 3,251 | 4,059 | 6,384 | 5,712 | | |
| <i>(ii) Financial liabilities at amortised cost</i> | | | | | | | | | | |
| Bank overdrafts | | - | - | - | - | - | - | - | | |
| Trade and sundry payables | | - | - | - | 4,160 | 3,820 | 4,160 | 3,820 | | |
| Borrowings | 1,309 | 415 | - | - | - | - | 1,309 | 415 | 8.0 | 8.4 |
| Total financial liabilities | 1,309 | 415 | - | - | 4,160 | 3,820 | 5,469 | 4,253 | | |

Interest rate risk arises on cash and cash equivalents, debtor funding facilities and bank overdrafts. Interest rate risk is managed by monitoring and reviewing cash flow forecasts and the trade receivables balance of the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and cash equivalents as this is the only financial instrument materially exposed to floating interest rates. The analysis is based on actual monthly borrowing amounts throughout the year, as reported to management, with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease has been used and represents management's assessment of the possible changes in interest rates. At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit before income tax would increase by \$11k and decrease by \$11k (2019: increase by \$4k and decrease by \$4k).

(b) Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of services in currencies other than the group's functional currency, and the translation of foreign subsidiary results on consolidation.

Notes to the Financial Statements

Year Ended 30 June 2020

30. FINANCIAL INSTRUMENTS (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period is as follows:

| Economic Entity | Liabilities | | Assets | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Australian dollars | - | - | - | - |
| Brazilian real | 132 | 180 | 276 | 273 |
| US dollars | - | - | - | - |
| Sterling | - | - | - | - |
| Euro | - | - | 14 | 18 |
| Canadian dollars | - | - | - | - |
| Singapore dollars | - | - | - | - |

The amounts disclosed above in relation to Australian dollars relate to intercompany payables and receivables in each of the foreign subsidiaries whose functional currency is not Australian dollars.

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars, Sterling, Euros and CAD.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used as it represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external assets and liabilities as well as loans, receivables and payables balances with foreign subsidiaries where the denomination of the balance is in a currency other than the functional currency of the lender or borrower. A positive number indicates an increase in profit or loss and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

| Economic Entity | USD Impact | | Sterling Impact | | Euro Impact | | CAD Impact | |
|-----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Profit or loss | 30 | 44 | 4 | (6) | (27) | (14) | (25) | 11 |
| Other equity | (181) | (193) | (229) | (234) | (126) | (101) | 2 | 28 |

The above impacts are mainly attributable to the exposure of intercompany payables, receivables and loan balances at the end of the reporting period.

Notes to the Financial Statements

Year Ended 30 June 2020

30. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Liquidity risk is the risk the group will not be able to meet its financial obligations as they fall due. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Included in Note 15 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. The borrowing facilities may be drawn at any time and may be terminated by the financing provider with three months' notice. All facilities are subject to annual review.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectations for settlement of undisclosed maturities.

| | <12 months | | 1-5 years | | Total contractual cash flows | | Carrying amount | |
|---------------------------|--------------|--------------|--------------|----------|------------------------------|--------------|-----------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 3,133 | 1,653 | - | - | 3,133 | 1,653 | 3,133 | 1,653 |
| Receivables | 3,251 | 4,059 | - | - | 3,251 | 4,059 | 3,251 | 4,059 |
| Contract asset | 1,115 | 1,583 | - | - | 1,115 | 1,583 | 1,115 | 1,583 |
| Payables | (5,164) | (4,749) | - | - | (5,164) | (4,749) | (5,164) | 4,749 |
| Lease liabilities | (226) | - | (491) | - | (793) | - | (717) | - |
| Borrowings | (591) | (415) | - | - | (591) | (415) | (591) | (415) |
| Net maturities | 1,518 | 2,131 | (491) | - | 948 | 2,131 | 1,024 | 2,131 |

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and essentially arises from holdings of cash and deposits and trade receivables as well as from the parent's potential obligations under the indemnity guarantee provided to banks. The risk is largely managed through a policy of only dealing with creditworthy counterparties. Periodic assessments of debtor balances are undertaken and provisions for impairment are recognised where appropriate.

The maximum credit risk exposure is the carrying value of cash and deposits and trade receivables as disclosed in notes 7 and 8.

Information of the Group's credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group are included in note 8.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of clients.

i. Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian and global banks.

ii. Trade receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The ageing analysis of trade and other receivables is provided in note 8. As the Group undertakes transactions with a large number of customers and regularly monitors payments in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit terms. The Group assess the expected credit loss based on individual debtor level expectations relative to credit terms.

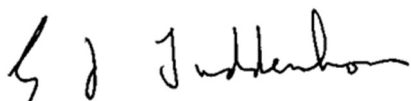
The Group does not have any material credit risk exposure for other receivables or other financial instruments.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 30 to 69, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the company and economic entity.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Gerry Tuddenham
Managing Director
Melbourne, 30 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CPT GLOBAL LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CPT Global Limited (the Company and its subsidiaries (the Group)) which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended, and
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of 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.

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1. Revenue Recognition

Area of focus

Refer to Note 1(p) Accounting Policy; Note 3 Revenue, Note 9 Contract Asset.

The Group earned revenue of \$24.919m during the year and recognised contract assets of \$1.115m at reporting date. Revenue is earned from variable (risk/reward) and fixed price contracts and is recognised in accordance with AASB 15 *Revenue from contracts with customers*.

Recognition of revenue is a key audit matter due to the:

- Revenue is recognised based on significant judgments made by management regarding estimated savings (MIPS or MSUs) the customer is likely to realise. The results of these judgments require significant audit effort to gather sufficient appropriate audit evidence for revenue recognition; and
- Significance of revenue and contract assets to the financial statements.

How our audit addressed the area of focus

Our procedures included:

- Documented and assessed the internal control environment and performed tests of controls
- Tested a sample of revenue to supporting documentation and assessed whether revenue has been accurately recorded in accordance with contractual terms
- Confirmed new contracts executed during the year have been accounted for in accordance with AASB 15
- Performed trend analysis and other analytic techniques on revenue to validate amounts recorded during the year
- Ensured estimated savings detailed in project status reports and recognised as revenue have been acknowledged and approved by the Group's customers, and
- Ensured contract assets have been invoiced subsequent to year end.

We also reviewed the adequacy of revenue related disclosures in the financial statements.

2. Recognition of deferred tax assets

Area of focus

Refer also to Note 1(b) and Note 1(w)(iii) (Accounting Policy), Note 16 (Tax).

The Group has recognised \$1.092m deferred tax assets on the statement of financial position, the recognition of which involves judgement by management as to the likelihood of the realisation of these deferred tax assets, which are based on a number of factors including whether there will be sufficient taxable profits in future periods to support recognition.

The Group also operates in a number of tax jurisdictions with differing tax laws and regulations increasing the potential for misstatement of tax related balances and transactions.

How our audit addressed the area of focus

Our procedures included:

- Evaluated the directors' assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by comparing the directors' forecasts to historical results, and evaluating the assumptions used in those forecasts
- Engaged tax experts to review managements calculations and application of relevant tax laws and regulations
- Reviewed income tax provision calculations for each jurisdiction, and
- Reconciled income expense to prima facie expense for the year.

We also considered the adequacy of the disclosures in relation to the recognition of deferred tax assets.

Information Other than the Financial Report and Auditor's Report Thereon

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 30 June 2020, 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 accordingly we do 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 of the Company 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 ability of the Group 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 has 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 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 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, actions taken to eliminate threats or safeguards applied.

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 20 to 26 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of CPT Global Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.



ShineWing Australia
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 30 September 2020



Corporate Information

ACN 083 090 895

ABN 16 083 090 895

Directors

Fred Grimwade

(Non-executive Chairman)

Gerard (Gerry) Tuddenham

(Managing Director)

Nigel Sandiford

(Non-executive Director)

Company Secretary

Grant Sincock

Principal Registered Office

Level 3, 818 Bourke Street

Docklands VIC 3008

Telephone: +61 (0)3 9684 7900

Internet: www.CPTglobal.com

2020 Annual General Meeting

The Annual General Meeting of CPT Global Limited members will be held on Wednesday 25th November 2020 at 10.30 am at CPT Global's head office at Level 3, 818 Bourke Street, Docklands, Victoria.

Auditors

ShineWing Australia

Level 10, 530 Collins Street

Melbourne VIC 3000

Share Register

Boardroom Pty Ltd

Level 12, 225 George Street

Sydney NSW 2000

Telephone: 1300 737 760

Facsimile: +61 (0)2 9290 9600

Solicitors

Nicholson Ryan Lawyers

Bankers

ANZ Banking Group Limited

ASX Code

CGO

CPT Global on the Web

For an introduction to the company and access to company announcements, descriptions of our core business, services and careers, and our corporate governance policies and procedures visit our website at www.CPTglobal.com

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 11th of September 2020.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

| | Ordinary shares | | Preference shares | |
|---|-------------------|-------------------|-------------------|------------------|
| | Number of holders | Number of shares | Number of holders | Number of shares |
| 1 - 1,000 | 72 | 41,611 | - | - |
| 1,001 - 5,000 | 297 | 824,112 | - | - |
| 5,001 - 10,000 | 146 | 1,145,718 | - | - |
| 10,001 - 100,000 | 239 | 7,843,645 | - | - |
| 100,001 and over | 45 | 28,405,165 | - | - |
| | 799 | 38,260,251 | - | - |
| The number of shareholders holding less than a marketable parcel of shares are: | 231 | 343,613 | - | - |

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

| | Listed ordinary shares | |
|---|------------------------|-------------------------------|
| | Number of shares | Percentage of ordinary shares |
| 1 TUDDY SUPER PTY LTD | 9,779,590 | 25.6% |
| 2 SONDA FONDO DE INVERSION PRIVADO | 2,664,993 | 7.0% |
| 3 CLAPSY PTY LTD | 2,628,056 | 6.9% |
| 4 GNP NOMINEES | 2,282,799 | 6.0% |
| 5 MR LUKE TUDDENHAM | 891,254 | 2.3% |
| 6 BNP PARIBAS NOMINEES PTY LTD | 847,070 | 2.2% |
| 7 MR BEN TUDDENHAM | 810,398 | 2.1% |
| 8 MR PHILIP ADAM & MRS SANDRA ADAM | 786,608 | 2.1% |
| 9 MR PAWEL REJ & MRS MIROSLAWA REJ | 758,641 | 2.0% |
| 10 MR FRED GRIMWADE | 718,200 | 1.9% |
| 11 MR KEVIN AKOM | 565,013 | 1.5% |
| 12 PETHOL (VIC) PTY LTD | 500,000 | 1.3% |
| 13 MR NEVILLE HASKETT & MRS VICKI HASKETT | 500,000 | 1.3% |
| 14 FIVE TALENTS LIMITED | 482,369 | 1.3% |
| 15 MRS ALISON BOLGER | 362,550 | 0.9% |
| 16 MRS JULIE ANN CAREY | 326,000 | 0.9% |
| 17 MR MICHAEL LAZORIK | 300,000 | 0.8% |
| 18 CITICORP NOMINEES PTY LTD | 281,862 | 0.7% |
| 19 MR DAVID LYNCH | 266,460 | 0.7% |
| 20 MR NIGEL SANDIFORD | 229,836 | 0.6% |
| | 25,981,699 | 67.9% |

ASX Additional Information

(c) Shares held in escrow

As at 11th September 2020, there were no shares held in escrow.

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

| | Number of Shares |
|--|------------------|
| MR GERRY TUDDENHAM AND HIS ASSOCIATES (EXCLUDING HIS BENEFICIAL INTEREST IN THE CPT TRUST) | 9,783,705 |
| GNP NOMINEES PTY LTD AS TRUSTEE FOR THE CPT TRUST | 2,282,799 |
| SONDA FONDO DE INVERSION PRIVADO | 2,664,993 |
| CLAPSY PTY LTD | 2,628,056 |

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. Performance rights do not carry voting rights.

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