CPT Global Limited ABN 16 083 090 895 and Controlled Entities
Appendix 4E - Preliminary Final Report for the Year Ended 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information

				2019 A $000's	2018 A $000's
Revenues from ordinary activities	down	-8.5%	to	$28,395	$31,031
Net Profit (Loss) **before tax** attributable to members	up	39.1%	to	$1,731	$1,244
Net Profit (Loss) **after tax** attributable to members	up	27.2%	to	$992	$780

DIVIDENDS PAID AND PROPOSED

Ordinary Shares:	Amount per Security	Franked Amount per Security at 30% of Tax
2018 interim and final	0.25 cents	0.25 cents
2019 interim	0.25 cents	0.25 cents
2019 final	0.50 cents	0.50 cents

DIVIDEND DETAILS

Ordinary Share Capital:	2019 A $000's	2018 A $000's
Final dividend paid	$93	-
Interim dividend paid	$94	-
Final dividend declared	$189	$93

DIVIDEND REINVESTMENT PLAN

A dividend reinvestment plan is in operation and will apply to the dividend.

EARNINGS PER SHARE (EPS)

	2019	2018
Basic EPS	2.62 cents	2.09 cents
Diluted EPS	2.60 cents	2.07 cents

NTA BACKING

	2019	2018
Net tangible asset backing per ordinary security	$0.06	$0.03

COMMENTARY ON THE RESULTS FOR THE PERIOD

Refer to the Managing Director's Review in the Preliminary Final Report

STATUS OF AUDIT

The accounts are currently in the process of being audited.

CPT Global Limited

ABN 16 083 090 895

Preliminary Final Report

For the year ended 30 June 2019

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Managing Director's Review

Dear Fellow Shareholders,

The 2019 financial year has left many of us at CPT Global with mixed emotions. We are proud that we have been able to continue delivering profit growth, resumed paying interim dividends after paying a final dividend in FY2018 and will pay a final dividend for FY2019. We celebrate the success in our North American business with a second successive year of revenue growth in excess of 44%. The federal government sector continues to exceed expectations with a second successive year of significant revenue growth and we have 12 months of contracted work at our largest Australian client with expanded services and head count. Our project margins in Australia and Canada improved on FY2018 against industry trends for maintaining or lower margins. This is tempered by disappointment in the performance of the banking & finance sector in Australia which saw significant declines in revenue.

We have taken action to turn the Australian region around and we are optimistic that FY2020 will be a year of profitable growth.

Operating and Financial Review

CPT made a profit before tax of $1.7 million for the financial year, a 39% improvement on FY2019. The after-tax profit of $1.0 million was a 27% improvement on FY2018 period.

Revenue was 8% lower than FY2018 as the banking & finance sector in Australia declined by 57% on FY2018. Despite the lower revenue, the FY2019 profit exceeded FY2018 as the business has benefited from focussing on our core strengths, investing in our sales capacity in North America, driving efficiency in our operations and back office and strong cost controls. The benefits will continue to deliver results in the coming financial years.

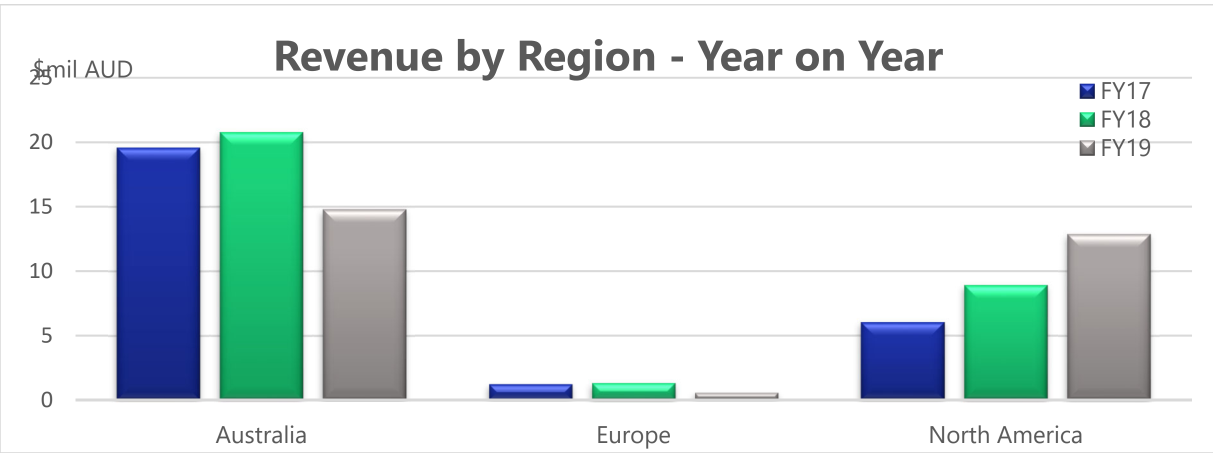
The investment in sales resources in North America contributed to revenue in the region growing 46% compared to FY2018. In FY2020 we are continuing to invest in North America and will expand our sales capacity in Australia.

Margins across the Group were higher than FY2018 as higher margin regions, North America and Federal, contributed a greater proportion of margin to the Group as they grew, and the business focussed on the efficient delivery of services to clients without compromising quality.

The revenue growth in North America and federal has come from our core services. The focus on what CPT does best and the lessons we have learnt in these regions are being applied across the Group.

We have invested in building our Australian sales capability and refocussing on our core services. This will continue in FY2020 and we started to see the benefit in the 4th quarter of FY2019.

Table 1



In May 2019 a settlement was reached with a former contractor relating to a claim of unpaid invoices and a counter claim by CPT Global of overcharging. It was agreed that no payments would be made between the parties and each party would be responsible for their own legal fees. A liability to the former contractor of $0.1 million relating to the unpaid invoices was written off and is included in the results for FY2019.

North America

After having its best year since FY2014 in FY2018, North America grew revenue 46% on FY2018 and segment gross profit before tax grew 33%.

The banking & finance sector is the fastest growing and largest sector contributing 67% (FY2018: 47%) of revenue. This growth has been delivered through our traditional mainframe business as well as expanding our services into real time payments and testing and growing within clients with multi-project time and materials contracts.

Five of our top 10 clients are based in North America (2018: 4) and delivered 87% (2018: 86%) of the revenue in the region.

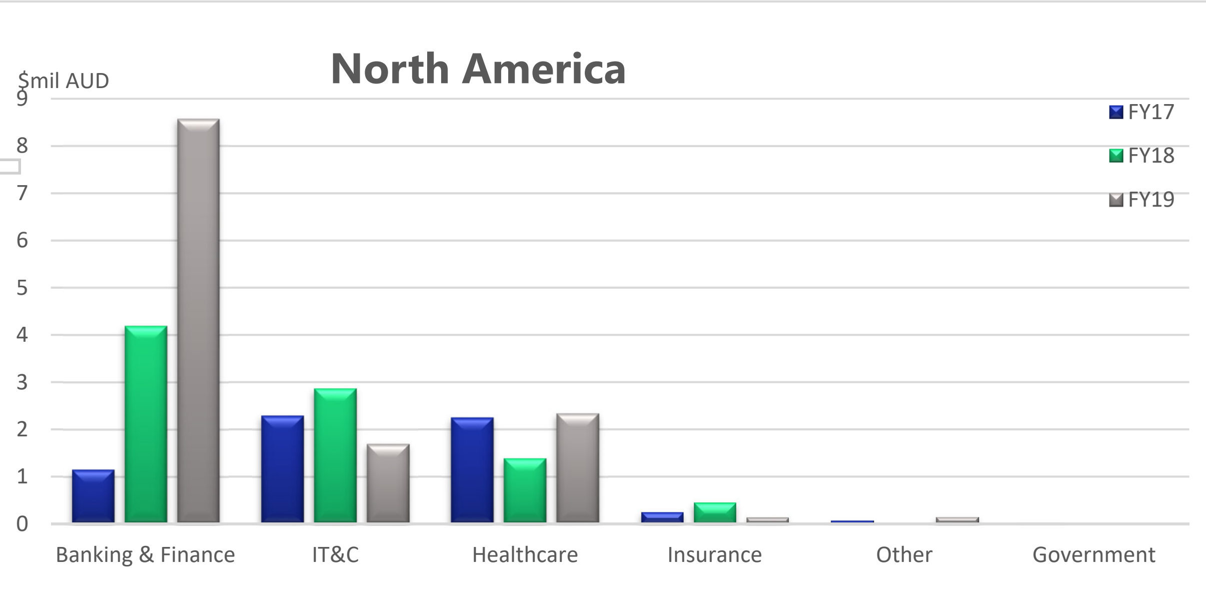
Margins on time & materials contracts in North America were maintained or, where expert services were in demand, increased. This offset the drop in the risk/reward margins as 1 project progresses through the latter phases of a risk/reward engagement and a 2nd project passes through the client review, implementation and measurement of our recommended changes.

The turnaround in North America over the last 2 years has exceeded our expectations. We are optimistic that the region will continue to grow in FY2020 with a strong finish to FY2019 and a solid pipeline of work.

Our major challenges in North America will be renewing 3 client contracts that finish on 31 December 2019 and managing the fluctuating demands for payments experts in Canada as the industry deals with the challenges of building a new payments platform.

Table 2 shows the extent of the growth in the banking & finance sector over the last 2 years. Demand for our core cost reduction and optimisation mainframe services and real-time payments expertise has driven this growth.

Table 2



Australia

The government, insurance and superannuation sectors grew during FY2019 and will continue to be strong performers for the business in FY2020.

Revenue from Federal Government clients grew 22% in 2019 (2018: 27%) as our projects and resources on our largest government contract were extended to 30 June 2019. A 12 month extension to this contract, our largest client in Australia and second biggest globally, takes our contracted work through to June 2020 with a further increase in the scope of services and number of consultants engaged.

Revenue in the banking & finance sector declined 57% in FY2019 after 5 years of consistent growth. The decline in revenue was driven by several factors, with the most important being freezes on head count at a tier 1 bank as they transform their internal IT operations and the rationalisation of an IT supplier panel at another tier 1 bank. We expected to see growth return to the sector in the 4th quarter of FY2019 but this is now more likely to occur in the 2nd quarter of FY2020. However, we were successful in winning work at a third tier 1 bank and a large tier 2 bank in June 2019 and are working to convert these engagements into recurring revenue streams.

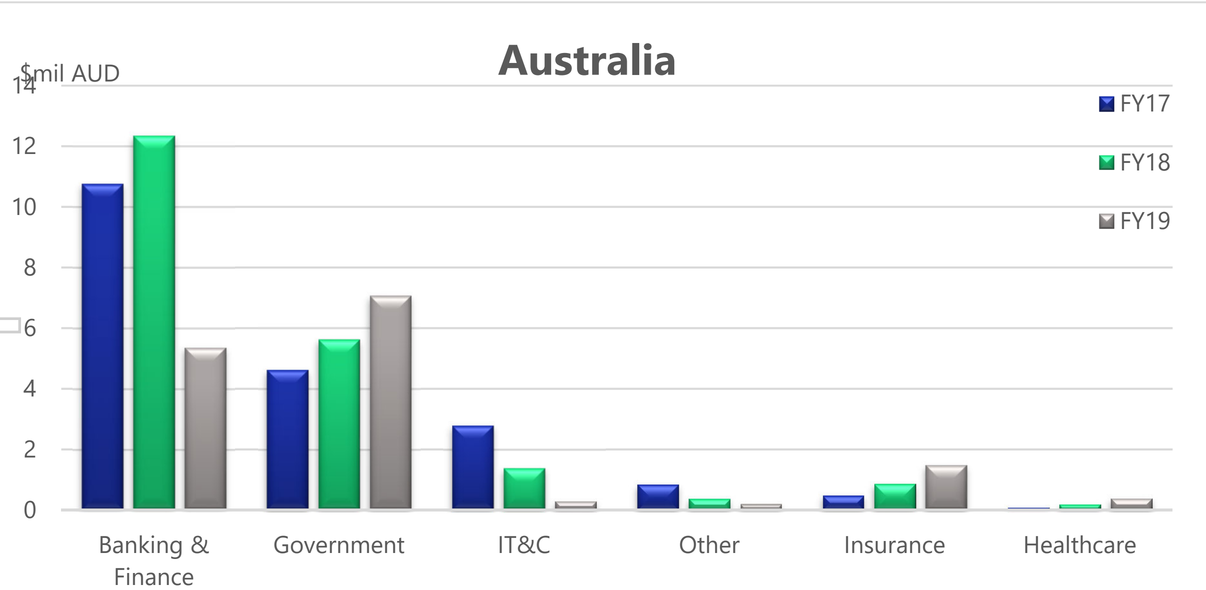
The IT&C sector continued to decline as a national telecommunications client reduced its requirements.

While Australian revenue declined 29%, we were able to partially offset the impact with cost controls.

The performance of the Australian business is disappointing as it coincides with a growing North American business and a government sector outperforming expectation. We have addressed the performance of the region by investing in additional sales resources and restructuring how we manage and operate the region. We expect these changes to deliver growth in revenue and profit in FY2020.

Our major challenges in Australia are securing forecast growth in the banking & finance, superannuation and education sectors, converting opportunities with partners to revenue and delivering major contracted projects.

Table 3



Europe

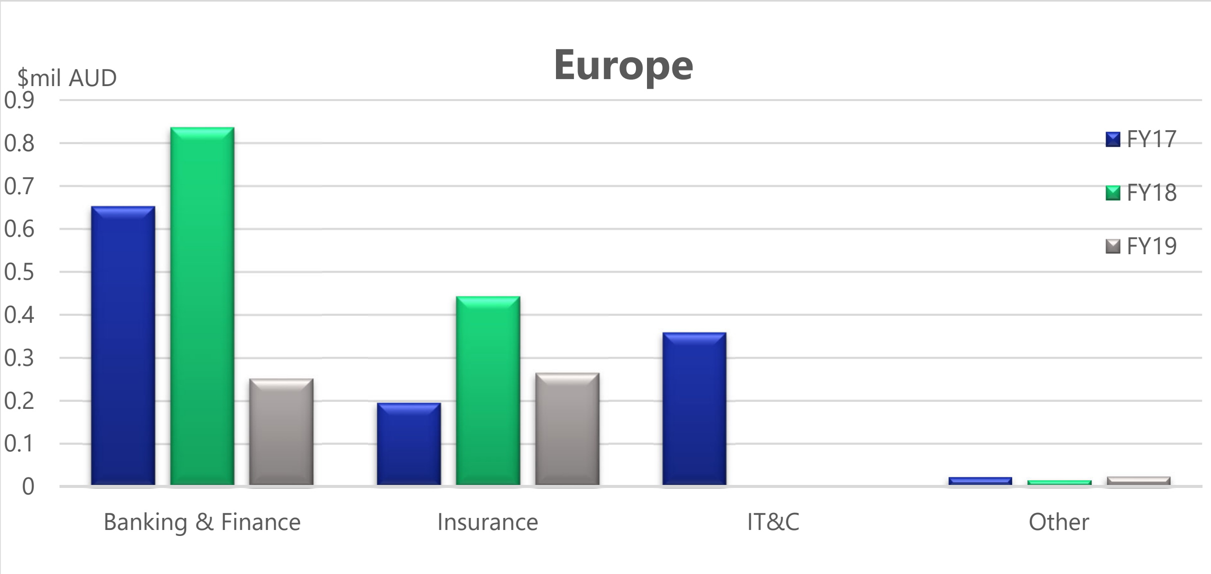
Our strategy in Europe has been to focus on a small number of key accounts and be agile in responding to opportunities.

Execution of the strategy has been successful as Europe has been able to breakeven over the past 2 years even as revenue has declined.

Whilst revenue is historically low in Europe, we have been able to deploy consultants on projects in North America. This has enabled us to retain key European consultants and deliver in North America during a period of high growth.

Table 4 shows the reliance Europe has on banking and insurance and the challenges experienced in FY17, FY18 and FY19.

Table 4



Financial Results

Financial Performance

CPT Global's revenue for the year ended 30 June 2019 was $28.4 million, an 8% decrease on FY2018's revenue of $31.0 million. CPT Global's net profit after tax for the year ended 30 June 2019 was $1.0 million, an improvement of $0.2 million on the 30 June 2018 result. The net profit after tax includes tax expense of $0.7 million, an effective tax rate of 43%. This is higher than the marginal tax rate due to tax losses in Europe that we have not recognised on the balance sheet as deferred tax assets, interest expense that is not deductible in Canada for tax purposes and changes to the carrying value of deferred tax assets and liabilities in the USA and Australia due to the lower tax rates applicable in FY2019.

The improvement in performance is a result of:

- profitable growth in North America and the federal government sector in Australia;
- margins across various sectors improved on prior years as demand for expert skills pushed rates up. Lower margin, high volume contracts contributed less revenue in total and proportionally in FY2019;
- a focus on efficiency across all operations and client delivery; and
- cost control across the Group.

Basic earnings per share amounted to 2.62 cents per share (diluted earnings 2.60 cents per share).

Financial Position

CPT Global's balance sheet reflected net tangible assets of $2.1 million as at 30 June 2019 (2018: $1.1 million). Net assets are $6.4 million (2018: $5.4 million)

- Unbilled revenue (WIP) has decreased by $0.7 million. The decrease in 2019 is due to the WIP on a risk/reward contract in progress in North America being invoiced up to the 2019 calendar year contract value by June 2019. At 30 June 2018, there was WIP relating to this contract yet to be billed. The balance of the movement is due to a movement in the milestone contracts in Australia outstanding at year end.
- Trade and other receivables decreased $0.8 million as milestone contracts were billed at month end and risk/reward revenue was invoiced from WIP. At 30 June 2019, 4.5% of debtors are in 60 days or greater, all of which have been collected subsequent to year end;
- Trade and other payables decreased by $2.0 million as consultant numbers in Australia decreased with the reduction in revenue and we continued to pay down historic Canadian tax liabilities from free cash flow; and
- Borrowings at year end relate to the debtor funding facility provided by Scottish Pacific in Australia. The Efic loan facility outstanding in FY2018 of $0.5 million was repaid during FY2019.

Dividend

On 27 August 2019, a fully franked interim dividend of 0.50 cents per share was declared by the directors. The total value of the dividend is $189,123 and will be paid on 18 November 2019.

The financial effect of the dividend will be recognised in the 2020 financial year as it was declared after 30 June 2019.

Cash Flow

CPT had $1.7 million in cash at 30 June 2019 ($1.4 million 30 June 2018) and a net cash inflow of under $0.1 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, early payment programs with clients in North America and the increase in revenue in North America all contributed to CPT being able to manage the cash flow challenges in 2019.

The cash at 30 June 2019 did not increase in line with profit due to the payment of our tax obligations in Canada under a payment plan agreed with the Canadian Revenue Authority.

Capital Management

A fully franked final dividend of 0.5 cents per share will be paid for FY2019. This is on top of the 2019 interim dividend of 0.25 cents per share paid on 20 May 2019.

Our debtor funding facility has a limit of $5.0 million of which there was $0.4 million outstanding at 30 June 2019 and $0.8 million was available to draw on. During the financial year, our facility with Efic was repaid in full out of the profits of the risk/reward engagements it was established to finance.

During 2020 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.

Strategy

CPT is delivering on our core vision of sustainable, profitable growth and we are focussing on our 6 strategic pillars:

- **Capitalise on existing growth opportunities**: North America and Canberra are our high growth regions and the opportunities and growth have continued into FY2020. Enhancing the sales capacity in Australia and leveraging our expertise in payments modernisation to take advantage of the global move towards near time payments are also areas of growth. We are structuring the business and investing to take advantage of these opportunities.
- **Build on new opportunities in Sydney**: recent changes in the Banking & Finance sector provide us with a significant opportunity to win new clients headquartered in Sydney. We won a major new client in the Banking & Finance sector in FY2019 which we expect to develop into a top 10 client.
- **Global practice capability**: as North America grows, we are developing our practice model to better support the business, our consultants and our clients in all our regions and across many time zones. We continually review and adapt our services to meet client demands.
- **Engagement & communication with our workforce**: CPT is a people business and our people are our greatest strength.
- **Enhance the CPT brand in the marketplace**: we will significantly expand our presence across social media channels to target our key audience and grow our brand awareness.
- **Drive business efficiency**: we are looking business wide at how we operate to improve efficiencies and reduce costs.

The Outlook

We expect to see revenue and profit growth in Australia and North America in the 2020 financial year as demand for our core services grows, particularly real time payments, testing and mainframe.

Demand in real time payments in the short to medium term is being driven by the need for expertise in Canada which has started down the path of developing a new payments platform. CPT has the experience and expertise that is in demand in Canada from our involvement in the roll out of the New Payments Platform (NPP) in Australia. We have 5 consultants working in 2 Canadian banks on their real time payments solutions and we expect to grow our presence as the industry progresses the development of the new platform. The USA and European Union are also planning to develop new real time payment platforms and we will leverage our expertise, experience and extensive client relationships in the banking sector to expand our payments services in the medium term. NPP is a focus for us

Services focussed on the mainframe continue to be the main source of revenue in the Northern Hemisphere. We expect to continue to grow these services, however, the pace of growth will return to rates in line with industry forecasts. Mainframe services in Australia has been a small component of revenue over the last 5 years but we are starting to see businesses allocate budget to optimising the mainframe environment as digital technology contribute to the growth in transactions that touch the mainframe. We started 2 projects in June 2019 at 2 Australian banks focussed on optimising the mainframe environment. We have 2 active risk/reward engagements in the USA that are contracted to 31 December 2019 and we are in discussion with both clients to extend the contracts for a further 12 months. Over the past 2 years we have seen an increase in mainframe services being delivered as time and materials engagements rather than risk/reward. The growth in revenue in North America in the 2019 financial year was largely from these engagements. This is providing more consistent revenue, margin and cashflow in the North American business. We expect this trend to continue which will provide a strong base of recurring, profitable revenue in North America upon which risk/reward contracts can deliver profit in excess of expectations.

Robotic Process Automation (RPA) is an area of increasing demand and our partnerships with 2 of the worlds largest providers of RPA tools generated revenue and margin in FY2019 from sales of software and services. RPA has been rolled out and adopted within our own business with the toolsets used within Finance, HR and Sales to automate manual processes and boost efficiency. RPA will continue to be a growth area in FY2020.

The Australian business will continue to expand in the government sector on the back of a new 12 month contract at our largest Australian client. Our expectation is that the banking & finance sector will start to grow again in the 2nd quarter although this is contingent on market conditions and other factors outside our control. We are optimistic that the Australian business will return to growth in FY2020 as a result of the actions we took in FY2019. Maintaining the margins on our core services is a focus of the Group.

Subject to economic and market conditions, North America will grow profitably as Canada continues down the path of introducing a real time payments platform and demand for our core services continues. We expect margins on time and materials work to start to return to long-term averages as the payments platform projects progress and more general and commoditised skillsets are required.

We are providing strategic consulting services to two banks in Canada and have generated just under $0.5m in fees from real time payments in Canada. Our focus in North America is to continue to grow within our existing clients, convert risk/reward clients to long term recurrent revenue and grow our other services at existing and new clients.

In Asia we will continue to use our partner model in the medium term to identify and convert opportunities. The pipeline in Asia is encouraging and projects will continue to be undertaken on an opportunistic basis in the short term.

Europe will continue to be managed as part of the greater Northern Hemisphere region with a scaled back presence and fixed cost base. This will allow us to adjust our strategy quickly as the need arises. Early signs indicate that the demand for our mainframe expertise is increasing in the European Union and the pipeline of opportunities is the strongest it has been for at least 3 years. However, we will remain opportunistic in our approach in the short term.

Gerry Tuddenham
Managing Director
August 28, 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Revenue		**28,395**	**31,031**
Other income		**5**	**57**
Salaries and employee benefits expense		**(2,556)**	**(3,008)**
Consultants benefits expense		**(20,003)**	**(22,549)**
Depreciation and amortisation expenses		**(58)**	**(62)**
Insurance expense		**(257)**	**(277)**
Finance costs		**(209)**	**(260)**
Occupancy Costs		**(546)**	**(821)**
Other expenses		**(3,058)**	**(2,825)**
Foreign currency (Losses) Gains		**18**	**(42)**
Goodwill Impairment			**-**
PROFIT / (LOSS) BEFORE INCOME TAX		**1,731**	**1,244**
INCOME TAX EXPENSE		**(739)**	**(464)**
PROFIT / (LOSS) AFTER INCOME TAX		**992**	**780**
Other Comprehensive Loss:			
Items that may be subsequently reclassified to comprehensive income			
Exchange differences on translating foreign controlled entities		**21**	**41**
Total Other Comprehensive Income for the year, net of tax		**21**	**41**
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR		**1,013**	**821**
PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF CPT GLOBAL LIMITED		**992**	**780**
TOTAL COMPREHENSIVE PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF CPT GLOBAL LIMITED		**1,013**	**821**
Basic earnings per share (cents per share)	3	**2.62**	**2.09**
Diluted earnings per share (cents per share)	3	**2.60**	**2.07**

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

Consolidated Statement of Financial Position

AT 30 JUNE 2019

	2019 $'000	2018 $'000
CURRENT ASSETS		
Cash and cash equivalents	1,653	1,440
Trade and other receivables	4,059	4,843
Unbilled revenue	1,583	2,283
Other current assets	139	240
TOTAL CURRENT ASSETS	7,434	8,806
NON-CURRENT ASSETS		
Deferred tax assets	1,096	1,259
Property, plant and equipment	31	17
Intangible assets	4,256	4,302
TOTAL NON-CURRENT ASSETS	5,382	5,578
TOTAL ASSETS	12,816	14,384
CURRENT LIABILITIES		
Trade and other payables	4,749	6,702
Borrowings	415	535
Current tax liabilities	400	578
Provisions	728	810
TOTAL CURRENT LIABILITIES	6,292	8,625
NON-CURRENT LIABILITIES		
Deferred tax liability	126	182
Other long term provisions	31	131
TOTAL NON-CURRENT LIABILITIES	156	313
TOTAL LIABILITIES	6,448	8,938
NET ASSETS	6,368	5,446
EQUITY		
Issued capital	12,308	12,228
Reserves	1,517	1,480
Retained earnings	(7,456)	(8,262)
TOTAL EQUITY	6,368	5,446

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2019

	$'000 Issued capital Ordinary	$'000 Retained Earnings	$'000 Equity Reserve	$'000 Foreign Currency Translation Reserve	$'000 Total
Balance at 1 July 2017	**12,228**	**(9,042)**	**1,691**	**(252)**	**4,625**
Comprehensive Income					
Profit for the year	-	780	-	-	780
Other comprehensive profit	-	-	-	41	41
Total comprehensive income for the year	-	780	-	41	821
Transactions with owners, in their capacity as owners					
Share based payments		-	-	-	-
Dividends paid or provided for	-	-	-	-	-
Issue of Shares	-	-	-	-	-
Total transactions with owners, in their capacity as owners	-	-	-	-	-
Balance at 30 June 2018	**12,228**	**(8,262)**	**1,691**	**(211)**	**5,446**
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		(187)			(187)
Issue of Shares	81				81
Total transactions with owners, in their capacity as owners	81	(187)	15		(91)
Balance at 30 June 2019	**12,308**	**(7,456)**	**1,706**	**(189)**	**6,368**

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	33,107	35,979
Payments to suppliers and employees	(31,815)	(34,660)
Interest received	5	3
Finance costs	(107)	(104)
Income tax paid	(810)	(131)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	380	1,087
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, software	(26)	10
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(26)	10
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue		-
Repayments of borrowings	(765)	(1,297)
Proceeds from borrowings	645	-
Payment of dividends on ordinary shares	(106)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(226)	(1,297)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD	128	(200)
Add opening cash & cash equivalents brought forward	1,440	1,656
Effects of exchange rate changes on cash and cash equivalents	85	(16)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,653	1,440

Notes to the Preliminary Final Report

YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This preliminary final report has been prepared in accordance with Listing Rule 4.3A and is based on accounts which are in the process of being audited.

This preliminary final report has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board as appropriate for profit oriented entities. The preliminary financial report does not include all the notes of the type normally included in an annual financial report.

The preliminary final report covers the economic entity of CPT Global Limited and Controlled Entities. CPT Global Limited is a listed public company, incorporated and domiciled in Australia.

CPT Global Limited has a formally constituted audit committee.

(b) Significant accounting policies

Except for the impact of new accounting standards adopted this year as described below, this report, and the accounts on which it is based, use the same accounting policies which have been consistently applied by the entities in the group and are the same as those applied in the 30 June 2018 annual financial report.

New accounting standards adopted as at 1 July 2018

AASB 9 Financial Instruments

This Standard replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

AASB 9 and AASB 139 are largely consistent on the recognition, classification and measurement of financial assets and financial liabilities that are measured at amortised cost. CPT's financial assets are classified as loans and receivables and financial liabilities are classified as trade and other payables and borrowings, these are all measured at amortised cost, therefore there is no change in the recognition, classification and measurement as a result of adopting the new standard.

Impairment of Financial Assets

The incurred loss model in AASB 139 has been replaced by an expected credit loss model in AASB 9 and applies to financial assets measured at amortised cost.

The Group has adopted the simplified approach for trade receivables and contract assets and measures the loss allowance at the lifetime expected credit loss. In applying the simplified approach under AASB 9, the Group uses a provision matrix based on historical experience at the client and segment level, relevant external indicators and forward-looking information to calculate the expected credit loss.

The adoption of AASB 9 has not had a material impact on the financial position or financial performance of the Group.

AASB 15 Revenue from Contracts with Customers

This Standard replaced various standards and interpretations applicable to revenue with a single, principles-based model and applies to all the Group's contracts with customers. The core principle of AASB 15 is that the Group recognise 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

To achieve this objective, the Group follows the five-step model:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligation is satisfied.

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.

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.

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.

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.

There has been no change in the timing of revenue recognition on adoption of AASB 15 when compared to the accounting policies applied in previous financial years.

New accounting standards not yet adopted

AASB 16 Leases

The new lease standard requires the recognition of a 'right of use' asset and a related lease liability, being the present value of future lease payments. Adoption of this standard will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense.

On initial adoption of AASB 16, CPT have elected to use the 'cumulative catch-up' approach. Under this approach the lease liability is initially recognised at the present value of future lease payments and the group has elected to value the right of use asset at an amount equal in value to the lease liability.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

CPT Global has assessed the standard's likely impact on first-time adoption as follows:

- The estimated increase in lease assets and lease liabilities in the statement of financial position is $987k
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will be included in financial activities rather than operating activities.

At the date of this report, CPT Global has not early adopted this standard.

2. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	2019	2018
(a) Dividends paid during the year	**$'000**	**$'000**
Current year interim		
Franked dividends (0.25c per share) (2018: 0.0c per share)	**94**	-
Previous year final		
Franked dividends (0.25c per share) (2018: 0.0c per share)	**93**	-
	187	-
(b) Dividends proposed and not recognised as a liability		
Franked dividends (0.5c per share) (2018: 0.25c per share)	**189**	93

3. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 27th August 2019 CPT Global Limited announced its intention to extend the on-market share buy back for a further twelve months until 28th August 2020. A maximum of 3,000,000 shares may be bought back during the buy back period, which will run from 28th August 2019 until 28th August 2020.

4. EARNINGS PER SHARE

	2019	2018
(a) The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
	$'000	**$'000**
Net profit	**992**	**780**
Earnings used in calculating basic and diluted earnings per share	**992**	**780**

4. EARNINGS PER SHARE (cont)

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**37,824,667**	**37,318,525**
Weighted average number of options outstanding	**300,000**	**300,000**
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**38,124,667**	**37,618,525**

5. INTANGIBLE ASSETS

	2019	2018
	$'000	$'000
Goodwill at cost	**9,659**	**9,659**
Accumulated impairment losses	**(5,502)**	**(5,502)**
Total goodwill	**4,157**	**4,157**
Intellectual Property at cost	**75**	**75**
Software at cost	**750**	**818**
Disposals	**-**	**(68)**
Write back of accumulated amortisation on disposals	**-**	**68**
Accumulated amortisation	**(726)**	**(680)**
Total software	**24**	**70**
Total intangible assets	**4,256**	**4,302**

	Goodwill	Intellectual Property	Software
Year ended 30 June 2018	$'000	$'000	$'000
Balance at the beginning of the year	4,157	75	116
Additions	-	-	-
Impairment charge	-	-	-
Amortisation charge	-	-	46
	4,157	75	70
Year ended 30 June 2019			
Balance at the beginning of the year	4,157	75	70
Impairment charge	-	-	-
Amortisation charge	-	-	46
	4,157	75	24

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.

5. INTANGIBLE ASSETS (cont)

Goodwill is allocated to Cash-Generating Units (CGUs), based on the Group's reporting segment.

	2019 $'000	2018 $'000
Australia	**4,157**	**4,157**
	4,157	**4,157**

The recoverable amount of the CGU 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 CGU over 5 years; periods beyond 5 years have been extrapolated using the terminal value growth rate of 3.5% (2018: 4.0%).

The carrying value and recoverable amount of the Australian CGU are $9.7m and $16.5m respectively.

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Australia	19.4%	20.0%	29.0%	25.9%	8.9%	7.7%	3.5%	4.0%

Management has 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 38%.
Terminal growth rates – reflect the managements 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.

If revenue of the Australian CGU in FY20 is below budget by $3.1m (16%), the carrying value of the CGU will equal its recoverable amount if all other assumptions are unchanged.