CPT Global Limited ABN 16 083 090 895 and Controlled Entities
Appendix 4E - Preliminary Final Report for the Year Ended 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information

				2020 A $000's	2019 A $000's
Revenues from ordinary activities	down	-12.2%	to	$24,919	$28,395
Net Profit (Loss) **before tax** attributable to members	down	-292.4%	to	($3,331)	$1,731
Net Profit (Loss) **after tax** attributable to members	down	-437.2%	to	($3,345)	$992
Net Profit before tax but after impairment charges	down	-9.27%	to	$900	$992

DIVIDENDS PAID AND PROPOSED

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary Shares:		
2019 interim and final	0.75 cents	0.75 cents
2020 final	1.25 cents	1.25 cents

DIVIDEND DETAILS

	2020 A $000's	2019 A $000's
Ordinary Share Capital:		
Final dividend paid	$189	$93
Interim dividend paid	-	$94
Final dividend declared	$478	$189

DIVIDEND REINVESTMENT PLAN

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

EARNINGS PER SHARE (EPS)

	2020	2019
EPS after tax but before impairment	2.30 cents	2.62 cents
Basic EPS	(8.73) cents	2.62 cents
Diluted EPS	(8.73) cents	2.60 cents

NTA BACKING

Net tangible asset backing per ordinary security	$0.07	$0.06

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 2020

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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
Profit before tax & impairment	0.9	(0.3)	1.7
Goodwill impairment	(4.2)	(4.2)	-
Profit before tax	(3.3)	(4.5)	1.7
Tax expense	(0)	0.8	0.7
Profit after tax but before impairment	0.9	0.5	1.0
Net profit	(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 JobKeeker 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.

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.

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.

- Unbilled revenue (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.

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 $1.4 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 $0.9 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.

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.

G J Tuddenham

Gerry Tuddenham
Managing Director
August 25, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Revenue		24,919	28,395
Other income		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 / (LOSS) BEFORE INCOME TAX AND IMPAIRMENT		900	1,731
Goodwill Impairment		(4,231)	-
PROFIT / (LOSS) BEFORE INCOME TAX		(3,331)	1,731
INCOME TAX EXPENSE		(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	3	2.30	2.62
Basic earnings per share (cents per share)	3	(8.73)	2.62
Diluted earnings per share (cents per share)	3	(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 Preliminary Final Report.

Consolidated Statement of Financial Position

AT 30 JUNE 2020

	2020 $'000	2019 $'000
CURRENT ASSETS		
Cash and cash equivalents	3,133	1,653
Trade and other receivables	3,251	4,059
Unbilled revenue	1,115	1,583
Current tax asset	645	-
Other current assets	139	139
TOTAL CURRENT ASSETS	8,283	7,434
NON-CURRENT ASSETS		
Deferred tax assets	1,092	1,096
Property, plant and equipment	702	30
Intangible assets	0	4,256
TOTAL NON-CURRENT ASSETS	1,794	5,382
TOTAL ASSETS	10,077	12,816
CURRENT LIABILITIES		
Trade and other payables	5,164	4,749
Borrowings	818	415
Current tax liabilities	-	400
Provisions	776	728
TOTAL CURRENT LIABILITIES	6,758	6,292
NON-CURRENT LIABILITIES		
Deferred tax liability	86	126
Borrowings	491	-
Other long-term provisions	-	30
TOTAL NON-CURRENT LIABILITIES	577	156
TOTAL LIABILITIES	7,335	6,448
NET ASSETS	2,743	6,368
EQUITY		
Issued capital	12,396	12,308
Reserves	1,337	1,516
Retained earnings	(10,990)	(7,456)
TOTAL EQUITY	2,743	6,368

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2020

	Issued capital Ordinary $'000	Retained Earnings $'000	Equity Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
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**	**(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				90
Shares cancelled	(3)				(3)
Total transactions with owners, in their capacity as owners	88	(189)			(102)
Balance at 30 June 2020	**12,396**	**(10,990)**	**1,706**	**(369)**	**2,743**

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2020

	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	1,549	380
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, software	(19)	(26)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(19)	(26)
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	(55)	(226)
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	3,133	1,653

Notes to the Preliminary Final Report

YEAR ENDED 30 JUNE 2020

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 2019 annual financial report.

New accounting standards adopted as at 1 July 2019

AASB 16: 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;
- 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

New accounting standards adopted as at 1 July 2019 (cont.)

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

2. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	2020	2019
(a) Dividends paid during the year	**$'000**	**$'000**
Current year interim		
Franked dividends (0.0c per share) (2019: 0.25c per share)	**-**	94
Previous year final		
Franked dividends (0.5c per share) (2019: 0.25c per share)	**189**	93
	189	187
(b) Dividends proposed and not recognised as a liability		
Franked dividends (1.25c per share) (2019: 0.5c per share)	**478**	189

3. EVENTS AFTER THE BALANCE SHEET DATE

(a) 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.

4. EARNINGS PER SHARE

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

	2020	2019
	$'000	**$'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	**887**	992
	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	**38,260,251**	38,124,667

5. INTANGIBLE ASSETS

	2020	2019
	$'000	$'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	**(749)**	(726)
Total software	**1**	24
Total intangible assets	**1**	4,256

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

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.

	2020 $'000	2019 $'000
Australia	-	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 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 the 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%	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%.

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.