



# 2018 Annual Report

MGM Wireless Ltd.



ASX Market Announcements  
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## 2018 ANNUAL REPORT

September 28, 2018

The Company is pleased to release its Annual Report for the 2018 Financial Year.

Justin Nelson  
Company Secretary



## ABOUT MGM WIRELESS LTD

MGM Wireless Limited is a technology company designing, developing and commercialising smartphone+watch wearables devices for children, and software for school communication and student absence management. The Company's AllMyTribe division has developed a children's all-in-one smartphone, watch and GPS device called SPACETALK, which allows two-way 3G phone calls and SMS messaging to a parent-controlled list of contacts. Other features include GPS tracking to alert parents whenever children leave designated safe spaces, such as school or the home.

Importantly – a key safety feature of SPACETALK is that it doesn't provide children access to social media, apps, open internet, YouTube or other such services dangerous to young children.

MGM Wireless built its track record with school communication solutions after discovering in 2002 the application of SMS communication in schools. The company went on to create the world's first SMS based Automated Student Absence Notification Solution and many other innovations since then. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communications.

MGM Wireless products include student absence notifications 'messageyou', absence analytics software 'Watchlists', school news and messaging app 'School Star', a content management and messaging platform for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

Used by over 1400 schools and 1.7 million parents, the Company's school communication solutions empower schools to effectively communicate and engage parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increase parent engagement.

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## CHAIRMAN'S REPORT

Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') is pleased to release its financial statements for the year ended 30 June 2018, with results reflecting the Company's successful, ongoing transformation to becoming a significant Wearables business.

### 2018 FINANCIAL RESULTS SUMMARY

<b>2018 Key results</b>			
Twelve months ended 30 June			
<i>\$ million unless otherwise specified</i>			
	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Sales Revenue</b>	<b>2.74</b>	<b>2.62</b>	<b>5%</b>
<b>Total Revenue</b>	<b>2.74</b>	<b>2.63</b>	<b>4%</b>
<b>Wearables Revenue</b>	<b>0.449</b>	<b>0</b>	<b>-%</b>
<b>School Communication Business Revenue</b>	<b>2.23</b>	<b>2.54</b>	<b>-12%</b>
<b>EBITDA</b>	<b>0.67</b>	<b>0.76</b>	<b>-11%</b>
<b>Net Loss</b>	<b>(1.13)</b>	<b>(0.53)</b>	<b>114%</b>
<b>Dividend per share (cents)</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>EBITDA margin</b>	<b>2%</b>	<b>29%</b>	<b>-27%</b>
<b>Net cash from operating activities</b>	<b>1.25</b>	<b>1.70</b>	<b>-26%</b>
<b>Cash balance</b>	<b>2.65</b>	<b>1.11</b>	<b>139%</b>
<b>Net cash/(debt)</b>	<b>2.65</b>	<b>1.11</b>	<b>139%</b>
<b>Earnings per share (basic) cents</b>	<b>(11.71)</b>	<b>(6.15)</b>	<b>90%</b>
<b>Contracted Schools &amp; Early Learning Centres</b>	<b>1,372</b>	<b>1,061</b>	<b>29%</b>



## FY18 HIGHLIGHTS

- Launched Company developed SPACETALK – a children’s all-in-one smartphone, watch and GPS device – exceeding all expectations and sales projections
- Advanced Company transformation to the “Wearables” sector
- After 9 months of sales, realised revenues from our Wearables business that are:
  - 20% of overall Company revenues and continues to grow
  - on track to overtake and exceed School Communication revenues in FY2019
- Within the Wearables business, revenues from our direct online sales are on track to becoming \$1 million+ pa revenue business – a significant achievement in its first year.
- SPACETALK has been unequivocally recognised by industry experts as the best children’s smartphone device on market globally.
- Commenced bricks and mortar rollout.
- Booked a solid EBITDA of \$671K despite significant costs and investment associated with launching a new Wearables business of this size and magnitude
- Increased cash balances 139% to \$2.65 million following a successful capital raising and heavily oversubscribed Share Purchase Plan.
- Maintained a Zero debt position.
- Increased the number of contracted schools, significantly, by 29% although revenues down by 12.3%
- Recorded a Net Loss After Tax of \$1.13 million due to amortising prior year investments and non-cash expenses from the issue of options and employee shares.

2018 was a tremendous year for MGM Wireless following the launch of the SPACETALK all-in-one children’s smartphone, watch and GPS tracker after four years of development. The research and development of SPACETALK was funded entirely through existing cashflows from the schools communication business leaving the company with zero debt and a best of breed product.





Released for sale in October 2017 via the Company's allmytribe.com website, the response from the public was overwhelming with immediate sales success. All internal expectations and sales projections were exceeded with sales, reviews and market response strengthening throughout the year.

This confirmed the decision to continue the Company's focus on the expansion into the wearables technology sector and to further apply resources into this rapidly growing division.

It is with great pleasure to report that after nine months of sales, wearables revenue now accounts for 20% of total revenue and continues to grow. It is expected that in FY2019 wearables revenue will exceed the revenue generated by the Schools Communications business. As of June 30, 2018 online revenues have come solely from the Company's own allmytribe.com website, which is on track to deliver in excess of \$1 million per annum. This is a great achievement for a newly launched product in its first year of release into a completely new global market category.

It was always the Company's strategy to capture mass market share via both online sales and a national and international bricks and mortar retail distribution network. Pleasingly within the first nine months the rollout began with several regional stores that form part of the Leading Edge network signing the sales agreements. Negotiations were also well advanced with other major retailers with company since then announcing the online trial with JB Hi Fi.

SPACETALK's business model continues to be attractive and viable at wholesale prices to bricks and mortar retailers, underpinning the long-term sustainability of the wearables business as it moves towards profitability. Management has been conscious of the extreme costs involved in launching and marketing a new retail product. Achieving a positive EBITDA of \$671K is a particularly pleasing result and places MGM in a solid financial position to fund the next expansion phase of the wearables business.

To help fund the ongoing rollout and meet expected demand over the coming year, the Company conducted a capital raising and heavily oversubscribed Share Purchase Plan increasing the cash balance to \$2.65 million. Directors would like to thank all shareholders for the overwhelmingly strong support during the SPP.



Mark Fortunatow

Chairman



## COMPANY BACKGROUND

### About SPACETALK

**SPACETALK is an all-in-one children’s smartphone, watch and GPS tracker that allows parents and children to be in constant contact without exposing their kids to the dangers of social media apps and unrestricted access to the Internet.**

It is the first of its kind to be wholly developed in Australia and one of the first worldwide. The child can make or receive calls from a list of contacts parents choose in the AllMyTribe® smartphone app. If the child needs help, a special SOS alert function can be customised to call parents and other guardians. Parents can see their child's location on their smartphone and the AllMyTribe App features alerts so whenever children leave designated safe spaces such as school or home, parents are notified. A step counter tracks the wearer’s physical activity.

SPACETALK has been independently verified by leading international cyber security experts as “unhackable”, and has world’s best practice security and privacy features built in. It will also meet the upcoming European GDPR regulations. All data is hosted in Australia in highly secure data centres and protected by Australian Privacy and Data Security legislation, so security is assured.

### Schools Business

The way schools need to communicate and engage with parents is undergoing constant change and evolution, as consumers move away from the computer desktop to a wide range of device types and especially mobile phone-based consumption of content.

Exciting new revenue growth opportunities are emerging for the Company’s school business, with the emergence of, and access to mobile as the primary means of content consumption, artificial intelligence and machine learning technologies for personalising content. MGM Wireless believes opportunities exist to incorporate these new technologies into its products to further improve the effectiveness of our company products while driving revenue growth.

The Company sees an ongoing positive future for its schools business.



## CORPORATE DIRECTORY

**Registered Office**

Suite 13, The Parks  
154 Fullarton Road  
Rose Park SA 5067

**Principal Office**

Suite 13, The Parks  
154 Fullarton Road  
Rose Park SA 5067  
Telephone: (08) 8104 9555  
Facsimile: (08) 8431 2400

**Auditor**

Ian G McDonald  
Telephone: 0419 620 906

**Share Registry**

Computershare Investor Services  
Pty Ltd  
Level 5  
115 Grenfell Street  
Adelaide SA 5000  
Telephone: 1300 556 161  
Overseas Callers: 61 3 9415 4000  
Facsimile: 1300 534 987

**Stock Exchange**

The securities of MGM Wireless Limited are listed on the Australian Securities Exchange.

ASX Code: MWR ordinary  
fully paid shares



## DIRECTORS' REPORT

The directors of MGM Wireless Ltd present their annual report of the Company and its controlled entities for the financial year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

Directors were in office for the entire year unless otherwise stated.

#### MARK FORTUNATOW

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MARK EDWIN HURD - ceased 31 August 2017

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#### LEILA HENDERSON

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GLEN BUTLER – appointed 31 August 2017

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## Information On Directors

MARK FORTUNATOW B.Sc.(Ma.Sc.) B.Ec.

### EXECUTIVE CHAIRMAN

Executive Chairman Mark Fortunatow, founder and chief executive of the Company's subsidiary MGM Wireless Holdings Pty Ltd, brings more than 22 years of senior executive management experience in marketing, engineering, information systems, finance and customer support.

Mr Fortunatow previously founded three successful technology-based enterprises, Linx Computer Systems (developer and marketer of financial software), Timekeeping Australia (a leader in the Australian workforce management market) and Netline Technologies ( a company designing, engineering, selling and distributing voice based mobile wireless solutions), accumulating substantial practical experience in the many disciplines required to successfully launch and sustainably grow a successful technology enterprise.

He holds a degree of Bachelor of Science (Ma.Sc.) and Bachelor of Economics from Adelaide University.

Mr Fortunatow has been a director since 3 October 2003 and has held no other directorships in listed companies in the last 3 years.



MARK EDWIN HURD B.Sc.(Ma.) (Hons)

EXECUTIVE DIRECTOR- ceased 31 August 2017

Mr Hurd was co-founder and Chief Technical Officer of MGM Wireless Holdings Pty Ltd until 31 August 2017.

Mark had over 21 years of experience in software engineering, and holds an honours degree in Mathematical and Computer Sciences from Adelaide University.

He received numerous awards for outstanding academic and software engineering achievements. He was the chief architect of MGM's technology.

A regular active contributor to Microsoft technical forums, Mr Hurd was sought after internationally by leading software engineers and corporations for his advice and software architecture expertise.

Prior to MGM, Mr Hurd was Chief Technical Officer at Netline Technologies, and before that held positions with Logica and Coopers & Lybrand (now Pricewaterhousecoopers) and carried out numerous academic research projects.

Under Mark's tutelage, the company achievements included winning the "Most Outstanding Wireless Mobile Product" trophy at Internet World 2000, for E-Fone.

Mr Hurd was a director since 3 October 2003. He held no other directorships in listed companies in the last 3 years.



LEILA HENDERSON

NON-EXECUTIVE DIRECTOR

A journalist and technology PR & Marketing specialist, Ms Henderson founded media technology business NewsMaker in 2004, building it to a subscription base of over 14,000 marketing professionals. She is also Co-founder and Director of software start-up Ofreddi Pty Ltd (t/a Konfotto) and a Director of Insurance and Membership Services (IMS) Limited, t/a COTA Insurance.

Ms Henderson is the inaugural Fellow of the New Venture Institute at Flinders University; an Ambassador of the Impact Awards – South Australia; and an investor in the SouthStart Accelerate incubator. In 2014 she was awarded the Information Technology Prize from Women in innovation & Technology (SA).

Her journalism career spanned three continents, culminating in a seven-year stint as an IT and business journalist with News Limited. She has worked in editorial management roles for major publishers such as IPC in London, Toronto Star Group in Canada; and Fairfax Magazines, Australian Consolidated Press and Reader's Digest Group in Australia.

As a Public Relations practitioner with significant international experience, she has worked in Australia, North America and the United Kingdom, including as PR advisor to IBM and the South Australian Government.

Ms Henderson has been a director since 7 July 2014. She has held no other directorships with listed companies.



GLEN BUTLER

NON-EXECUTIVE DIRECTOR – appointed 31 August 2017

Mr Butler is an experienced senior executive with a strong focus on sales, finance and manufacturing on an international level.

His previous roles include President of Pratt Industries, Inc. (Visy) in the United States, General Manager of Visy Board in Australia, COO Mariani USA and Managing Director of Mariani Europe, the largest private dried fruit company in the US.

Mr Butler has been a director since 31 August 2017. He has held no other directorships with listed companies.





## COMPANY SECRETARY

JUSTIN NELSON LLB, BA (JUR), GradDip ACG

Mr Nelson has extensive experience in the listed company environment and was a former ASX SA State Manager and Manager Listings (Adelaide); roles he held until the Adelaide ASX offices were consolidated nationally in March 2012.

Mr Nelson is a corporate lawyer and expert in corporate governance , ASX Listing Rules and company meeting practice.

**Directors' Interests In Shares And Options**

The following table sets out each director's relevant interest in shares and options of the Company as at the date of this Report:

<b>DIRECTOR</b>	ORDINARY FULLY-	OPTIONS – EXP 30 APRIL 2020	OPTIONS – EXP 30 APRIL 2020
	PAID SHARES	EXERCISE PRICE \$1.40	EXERCISE PRICE \$0.60
<b>Mark Fortunatow</b>	1,702,873	170,000	250,000
<b>Leila Henderson</b>	-	10,000	50,000
<b>Glen Butler</b>	-	-	50,000

**Remuneration of directors and key management personnel**

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this director's report on pages 23 to 28.

## CORPORATE INFORMATION - CORPORATE STRUCTURE

MGM Wireless Limited is a limited liability Company that is incorporated and domiciled in Australia. MGM Wireless Limited has prepared consolidated financial statements incorporating the entities that it controlled during the financial year as follows:

ENTITY	DETAILS
MGM Wireless Limited	parent entity
MGM Wireless Holdings Pty Ltd	100% owned controlled entity
Messageyou LLC	100% owned controlled entity
MGM Wireless (NZ) Pty Ltd	100% owned controlled entity
AllMyTribe	100% owned controlled entity

### Nature of Operations and Principal Activities

The consolidated entity's principal continuing activity during the course of the financial year was as a single source provider of mobile messaging solutions for business enterprises. The newly formed subsidiary, AllMyTribe, has also launched a new all-in-one children's smartphone, watch and GPS tracker during the year

### Operating Results

The amount of the total comprehensive loss attributable to members of the Company after income tax was \$1,121,825 (2017: \$551,210).

### Review of Operations

- 
1. Revenue for the full year was 4% higher at \$2,744,102 (2017: \$2,626,617)
  2. Net loss 112% increase to a loss of \$1,129,935 (2017: loss \$533,799)
  3. EBITDA profit 93% decrease to \$55,461 (2017: \$763,198)
  4. Customer base of operational schools grew by 29% to a total of 1,372 schools (2017: 1,061).
-

**Statement of Financial Position**

The Company's shareholder equity increased from \$4,002,985 as at 30 June 2017 to \$5,659,274 as at 30 June 2018.

Total assets were 26% higher as at 30 June 2018 than a year earlier at \$6,555,901 primarily due to lower working capital and an increase in cash.

Total current liabilities were 23% lower as at 30 June 2018 than a year earlier at \$885,738 which included \$65,436 accrued SMS charges and trade payables of \$367,957.

**Significant Changes in the State of Affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements and Directors' report.

**Events Subsequent to the End of the Financial Year**

There has not been any matter or circumstance that has arisen since 30 June 2018, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

**Likely Developments**

Comments on likely developments and expected results have been covered generally herein and in the Review of Operations.

The Company is actively pursuing various opportunities to grow revenues including new product development and alliances with other companies.

Disclosure of more specific information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity, the results of those operations, and/or the state of affairs of the consolidated entity in future financial years.

**Dividends**

No dividends have been declared in respect of the 2018 financial year (2017: Nil).

## Shares Under Option or Issued on Exercise of Options

Details of unissued shares or interests under option as at the date of this report are:

<b>ISSUING ENTITY</b>	<b>Number of Shares Under Option</b>	<b>Class of Shares</b>	<b>Exercise Price of Options</b>	<b>Expiry Date of Options</b>
MGM Wireless Ltd	15,000	employee rights	\$0.00	23/11/2018
MGM Wireless Ltd	10,000	employee rights	\$0.00	30/11/2018
MGM Wireless Ltd	10,000	employee rights	\$0.00	04/12/2018
MGM Wireless Ltd	5,000	employee rights	\$0.00	16/05/2019
MGM Wireless Ltd	15,000	employee rights	\$0.00	23/05/2019
MGM Wireless Ltd	150,000	Ordinary	\$1.30	28/05/2019
MGM Wireless Ltd	5,000	employee rights	\$0.00	16/11/2019
MGM Wireless Ltd	240,000	Ordinary	\$1.40	30/04/2020
MGM Wireless Ltd	350,000	Ordinary	\$0.60	30/04/2020
	<b>800,000</b>			

The holders of these options do not have the right, by virtue of the option to participate in any share issue or interest issue of the Company or any other body corporate.

230,000 ordinary shares under option exercisable at \$1.25 expired during the year (2017: 280,000 exercisable at \$1.60).

280,000 shares were issued during or since the end of the financial year as a result of the exercise of options (2017: nil).

## Meetings of Directors

The attendance of Directors at the meetings of the Company's Board of Directors held during the year is as follows:

<b>DIRECTOR</b>	<b>Number of Meetings Held whilst in office</b>	<b>Number of meetings Attended</b>
<b>M Fortunatow</b>	10	10
<b>M Hurd</b>	2	2
<b>G Butler</b>	7	5
<b>L Henderson</b>	10	10

## Corporate Governance Practices

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, MGM Wireless Limited and its Controlled Entities ('the Group') have



adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2018 is dated as at 28 September 2018 and was approved by the Board on 28 September 2018. The Corporate Governance Statement is available on MGM Wireless Limited's website at [www.mgmwireless.com/investors-centre/corporate-governance](http://www.mgmwireless.com/investors-centre/corporate-governance).

### **Indemnification of Officers and auditors**

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary Mr J Nelson, and all executive officers of the Company and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### **Environmental Regulation**

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

### **Legal Proceedings**

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**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 of the financial statements.

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



1. All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
2. 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 and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

No non-audit services have been provided by the Auditor or by another person on the Auditor's behalf during the year.

### **Auditor's Declaration of Independence**

The Auditor's independence declaration for the year ended 30 June 2018 has been received and is included on page 37.

### **Remuneration Report (Audited)**

This remuneration report, which forms part of the directors' report, details the nature and amount of remuneration for each Director and other key management personnel of MGM Wireless Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes executives in the parent group receiving the highest remuneration.

The remuneration policy, last voted upon by shareholders at the 2017 AGM and passed by 83.7% of votes cast is set out below. No consultants services were used during the year.

### **Remuneration Committee**

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.



**A. Remuneration Policy**

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

The executive Directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

**B. Remuneration Structure**

In accordance with best practice corporate governance, the structure of non-executive Director and executive compensation is separate and distinct.

**Non-executive Director Compensation****Objective**

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

**Structure**

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as appropriate as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion



consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including information / evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreements with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

## **Executive Compensation**

### **Objective**

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for Company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

### **Structure**

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and its operations and financial affairs, the use of a separate remuneration committee has not been considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate. Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).





### Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the information technology sector and external advice. The fixed remuneration is a base salary or monthly consulting fee.

### Variable Pay — Long Term Incentives

The objective of long term incentives is to reward Directors / executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Director's / executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to Directors / executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

### C. Employment contracts of Directors and senior executives

The employment arrangements of the Directors are not formalised in a contract of employment.

### D. Details of remuneration for year

#### Directors

The following persons were Directors of MGM Wireless Limited during the financial year:

Mark Fortunatow	Chairman (executive)
Mark Hurd	Director (executive) – ceased 31 August 2017



Leila Henderson Director (non-executive)  
 Glen Butler Director (non-executive) – appointed 31 August 2017

### Executives

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Directors.

### E. The relationship between the remuneration policy and Company performance

	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Revenue	2,744,102	2,626,617	2,575,684	3,157,199	2,695,473	2,381,143
Net profit/(loss) before tax	(1,765,009)	(986,127)	103,773	603,374	397,066	58,827
Net profit/(loss) after tax	(1,129,935)	(533,799)	503,674	1,041,780	717,541	657,835
	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Share price at start of year	0.49	0.65	1.7	1.05	0.85	0.85
Share price at end of year	2.19	0.49	0.65	1.7	1.05	0.85
Interim dividend	-	-	-	-	-	-
Final dividend	-	-	0.01	0.01	-	0.01
Basic earnings/(loss) cents per share	(11.71)	(6.15)	5.84	12.16	8.49	8.49
Diluted earnings/(loss) cents per share	(11.25)	(6.15)	5.64	11.96	8.33	8.33

### Remuneration

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

Director Remuneration	Mark Fortunatow	Mark Hurd	Leila Henderson	Glen Butler
<b>2018</b>				
Short term - Salary & Fees	417,145	3,060	21,000	-
Post employment - Superannuation	44,997	148	-	-
Long Service Leave Cashouts	76,012	-	-	-
Fees paid to related entities	-	-	10,494	43,300
Share-based - Options	68,188	-	13,638	13,638
<b>Total</b>	<b>606,342</b>	<b>3,208</b>	<b>45,132</b>	<b>56,938</b>
% of remuneration share-based	11%	0%	30%	24%
Director Remuneration	Mark Fortunatow	Mark Hurd	Leila Henderson	Tara Lewis-Christie
<b>2017</b>				
Short term - Salary & Fees	383,635	41,630	15,000	142,997
Post employment - Superannuation	35,875	2,173	-	11,195
Termination Benefits	-	-	-	47,465
Share-based - Options	-	-	-	-
<b>Total</b>	<b>419,510</b>	<b>43,803</b>	<b>15,000</b>	<b>201,657</b>
% of remuneration share-based	0%	0%	0%	0%

There were no other key management personnel of the Company at any time during the year. There were no performance related payments made during the year.



There was 350,000 options issued during the financial year.

The weighted average share price during the year was \$0.831 (2017: \$0.622).

The average remaining contractual life of options outstanding at the end of the financial year was 1.84 years (2017: 1.88).

During the financial year, the following share based payment arrangements were in existence:

Name	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Mark Fortunatow	17-12-14	30-04-18	\$0.40	lapsed
Mark Fortunatow	07-12-15	30-04-20	\$0.37	Vests at date of grant
Mark Fortunatow	08-12-17	30-04-20	\$0.27	Vests at date of grant
Lelia Henderson	17-12-14	30-04-18	\$0.40	lapsed
Lelia Henderson	07-12-15	30-04-20	\$0.37	Vests at date of grant
Lelia Henderson	08-12-17	30-04-20	\$0.27	Vests at date of grant
Glen Butler	08-12-17	30-04-20	\$0.27	Vests at date of grant

There is no further service or performance criteria that need to be met in relation to options granted before the beneficial interest vests in the recipient. These options are not linked to the performance of the individual.

There were 350,000 options granted during the year to Directors or executives. 180,000 options previously granted to Directors and executives lapsed during the year.

No loans were provided to key management personnel during the financial year.

The following table outlines the fully paid ordinary shares held by key management personnel in MGM Wireless Ltd

Name	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
<b>2018</b>					
Mark Fortunatow	1,322,485	-	-	380,388	1,702,873
Mark Hurd	626,528	-	-	(626,528)	-
Leila Henderson	-	-	-	-	-
Glen Butler	-	-	-	-	-
Name	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
<b>2017</b>					
Mark Fortunatow	1,322,485	-	-	-	1,322,485
Mark Hurd	626,528	-	-	-	626,528
Leila Henderson	-	-	-	-	-
Tara Lewis-Christie	10,000	-	-	(10,000)	-



The following table outlines the share options held by key management personnel in MGM Wireless Ltd

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2018	No.	No.	No.	(\$)	No.	No.	No.
Mark Fortunatow	340,000	250,000	-	0.92	(170,000)	420,000	420,000
Mark Hurd	50,000	-	-	-	(50,000)	-	-
Leila Henderson	20,000	50,000	-	0.73	(10,000)	60,000	60,000
Glen Butler	-	50,000	-	0.60	-	50,000	50,000

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2017	No.	No.	No.	(\$)	No.	No.	No.
Mark Fortunatow	540,000	-	-	1.32	(200,000)	340,000	340,000
Mark Hurd	130,000	-	-	1.40	(80,000)	50,000	50,000
Leila Henderson	20,000	-	-	1.32	-	20,000	20,000
Tara Lewis-Christie	90,000	-	-	-	(90,000)	-	-

#### End of Remuneration Report (Audited).

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors,



Mark Fortunatow  
Executive Chairman  
Signed at Adelaide on Friday 28 September 2018

## Directors' Declaration

The Directors of the Company declare that:

(a) 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;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors,

A handwritten signature in black ink, appearing to read 'Mark Fortunatow', with a long horizontal stroke extending to the right.

Mark Fortunatow  
Executive Chairman

Signed at Adelaide on Friday 28 September 2018



**INDEPENDENT AUDITOR'S REPORT****TO THE MEMBERS OF MGM WIRELESS LTD****Report on the financial report**

We have audited the accompanying financial report of MGM Wireless Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' responsibility 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. The Directors' responsibility also includes 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. The

Directors also state, in the notes to the financial report, in accordance with Accounting Standard

AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.



**Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

a the financial report of MGM Wireless Ltd is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001.



b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of MGM Wireless Ltd for the year ended

Adelaide, 28 September 2016





**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MGM WIRELESS LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MGM Wireless Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and no contraventions of any applicable code of professional conduct in relation to the audit.

Partner - Audit & Assurance  
Adelaide, 28 September 2016



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group Year Ended	
		30/06/2018	30/06/2017
		\$	\$
<b>Continuing Operations</b>			
Revenue	5	2,744,102	2,626,617
Cost of sales		(308,072)	(193,992)
Doubtful debts		(37,147)	(230,755)
Interest costs		(11,960)	(11,296)
Amortisation & depreciation		(1,808,510)	(1,738,029)
Option and share issue costs		(615,449)	-
Consulting fees		-	(45,706)
Corporate and administration		(839,808)	(842,189)
Advertising and marketing		(219,969)	-
Employee costs		(660,056)	(550,777)
(Loss)/ Gain on foreign exchange		(8,140)	-
(Loss)/Profit before tax		(1,765,009)	(986,127)
Income tax benefit	6	635,074	452,328
<b>(Loss)/Profit for the year</b>		<b>(1,129,935)</b>	<b>(533,799)</b>
<b>Other comprehensive income/Items that may be classified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		8,110	(17,411)
Other comprehensive income net of tax		8,110	(17,411)
<b>Total comprehensive (loss)/income for the year</b>		<b>(1,121,825)</b>	<b>(551,210)</b>
(Loss)/Profit attributable to:			
<b>Owners of the Company</b>		<b>(1,121,825)</b>	<b>(551,210)</b>
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic (cents per share)	7	(11.71)	(6.15)
Diluted (cents per share)	7	(11.71)	(6.15)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.



## Consolidated Statement of Financial Position

	Notes	Group As At	
		30/06/2018	30/06/2017
		\$	\$
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	9	2,649,810	1,109,972
Trade and other receivables	10	237,143	362,794
Inventories		120,133	-
Other current assets	11	825,624	922,510
<b>Total Current Assets</b>		<b>3,832,710</b>	<b>2,395,276</b>
Non-Current Assets			
Property, plant and equipment	13	174,546	174,061
Intangible assets	14	2,548,645	2,647,286
<b>Total Non-Current Assets</b>		<b>2,723,191</b>	<b>2,821,347</b>
<b>Total Assets</b>		<b>6,555,901</b>	<b>5,216,623</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	15	513,573	593,906
Provisions	16	217,582	243,050
Current Tax Liabilities	6	154,583	311,011
<b>Total Current Liabilities</b>		<b>885,738</b>	<b>1,147,967</b>
Non-Current Liabilities			
Deferred tax liabilities	6	10,889	65,671
<b>Total Non-Current Liabilities</b>		<b>10,889</b>	<b>65,671</b>
<b>Total Liabilities</b>		<b>896,627</b>	<b>1,213,638</b>
<b>Net Assets</b>		<b>5,659,274</b>	<b>4,002,985</b>
<b>EQUITY</b>			
Issued capital	17	9,966,782	7,469,606
Reserves	18	735,512	446,464
Accumulated losses		(5,043,020)	(3,913,085)
<b>Total Equity</b>		<b>5,659,274</b>	<b>4,002,985</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the attached notes.



## Consolidated Statement of Changes in Equity

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>Consolidated</b>					
<b>At 30 June 2016</b>	<b>7,454,029</b>	<b>(3,266,672)</b>	<b>483,583</b>	<b>(19,708)</b>	<b>4,651,232</b>
Profit attributable to members	-	(533,799)	-	-	(533,799)
Currency translation differences	-	-	-	(17,411)	(17,411)
<b>Total comprehensive income</b>	<b>-</b>	<b>(533,799)</b>	<b>-</b>	<b>(17,411)</b>	<b>(551,210)</b>
<b>Transactions with owners</b>					
<b>Contributions and distributions</b>					
Payment of dividends	-	(112,614)	-	-	(112,614)
Issue of shares (DRP scheme)	15,577	-	-	-	15,577
Transactions with owners	15,577	(112,614)	-	-	(97,037)
<b>At 30 June 2017</b>	<b>7,469,606</b>	<b>(3,913,085)</b>	<b>483,583</b>	<b>(37,119)</b>	<b>4,002,985</b>
Loss attributable to members	-	(1,129,935)	-	-	(1,129,935)
Currency translation differences	-	-	-	8,110	8,110
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,129,935)</b>	<b>-</b>	<b>8,110</b>	<b>(1,121,825)</b>
<b>Transactions with owners</b>					
<b>Contributions and distributions</b>					
Shares Issued	2,436,732	-	-	-	2,436,732
Options exercised	166,348	-	(38,848)	-	127,500
Share issue costs	(146,074)	-	-	-	(146,074)
Current tax expense on share issue costs	8,034	-	-	-	8,034
Deferred tax expense on share issue costs	32,136	-	-	-	32,136
Options/ rights issued	-	-	319,786	-	319,786
Transactions with owners	2,497,176	-	280,938	-	2,778,114
<b>At 30 June 2018</b>	<b>9,966,782</b>	<b>(5,043,020)</b>	<b>764,521</b>	<b>(29,009)</b>	<b>5,659,274</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes.



## Consolidated Statement of Cash Flows

	Notes	Group Year Ended	
		30/06/2018	30/06/2017
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,144,163	3,320,767
Payments to suppliers		(2,477,127)	(2,017,919)
Tax receipts		599,956	406,478
Interest payments		(11,960)	(11,296)
Net cash generated from / (used in) operations	9	1,255,032	1,698,030
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(26,767)	(13,384)
Payment for development		(1,683,587)	(1,750,886)
Net cash provided / (used) by investing activities		(1,710,354)	(1,764,270)
<b>Cash flows from financing activities</b>			
Payment of dividends		-	(97,037)
Repayment of borrowing		-	(115,000)
Proceeds from issue of shares		1,965,454	-
Cost associated with issue of shares		(105,904)	-
Proceeds from options exercised		127,500	-
Net cash provided / (used) by financing activities		1,987,050	(212,037)
Net increase / (decrease) in cash held		1,531,728	(278,277)
Cash at the beginning of the year		1,109,972	1,405,660
Effect of exchange rate changes		8,110	(17,411)
<b>Cash at the end of the year</b>	9	<b>2,649,810</b>	<b>1,109,972</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.



## Notes to the Financial Statements

### 1. General Information

MGM Wireless Limited (the Company) is a limited Company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described on page 21 of the Annual Report.

### 2. New and revised Accounting Standards that are effective for the current year

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these standards did not have a significant impact on the consolidated financial statements.

#### 2.1 New and revised Accounting Standards in issue but not yet effective and not being adopted early by the Group

The accounting standards that have not been early adopted for the year ended 30 June 2018, but will be applicable to the Group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the Group.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-5 Amendments to Australian Accounting Standards- classification and measurement of share based payment transactions.	1 January 2019	30 June 2020

Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

#### AASB 9 Financial Instruments (1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model.



## 2.1 New and revised Accounting Standards in issue but not yet effective and not being adopted early by the Group (Cont.)

Key requirements of AASB 9:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically:
  - Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods
  - Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI
  - All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
  
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss
  
- In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In the words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Group anticipate that the application of the expected credit loss model under AASB 9 will



## 2.1 New and revised Accounting Standards in issue but not yet effective and not being adopted early by the Group (Cont.)

result in earlier recognition of credit losses for trade receivables and will increase the amount of loss allowance recognised on trade receivables. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

### AASB 15 Revenue from Contracts with Customers (1 January 2018)

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance AASB 18 Revenue when it becomes effective from 1 January 2018.

The core principle of AASB 15 is that an entity should 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 those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Furthermore, extensive disclosures are required by AASB 15.

The directors are still in the process of assessing the impact of the application of AASB 15 on the Group's financial statements, however, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

### AASB 16 Leases (1 January 2019)

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective.





## 2.1 New and revised Accounting Standards in issue but not yet effective and not being adopted early by the Group (Cont.)

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Furthermore, extensive disclosures are required by AASB 16.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- 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 now be included in financing activities rather than operating activities. Interest can also be included within financing activities.



### 3. Summary of Significant Accounting Policies

#### 3.1 Statement of compliance

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 28 September 2018.

#### 3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:



### 3. Summary of Significant Accounting Policies (Cont.)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of MGM Wireless Limited (the Company) and entities controlled by MGM Wireless Limited (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of the subsidiaries are prepared for the same period as MGM Wireless Limited using consistent accounting policies.

In preparing the consolidated financial statements, all interCompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

#### 3.4 Revenue recognition

The basis of revenue recognition remains consistent and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Specifically, revenue recognition is subject to the following;

- Events being met, and
- Revenue timings



### 3. Summary of Significant Accounting Policies (Cont.)

#### Events:

Sale of product/services

Control of the goods (at the signing of the legally enforceable contract) has passed to the buyer.

#### Revenue timings:

Sale of product/services

Revenue from the sale of the Group's products/services is recognised at the start of the contract in line with the majority of expenses being incurred at that time and the revenue being non-refundable.

#### Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

### 3.5 Foreign currency translation

#### Functional and presentation currency

The functional currency of each of the entities in the group is measured using 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 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.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.



### 3. Summary of Significant Accounting Policies (Cont.)

#### Translation

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency 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.

#### 3.6 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### 3.7 Taxation

##### 3.7.1 Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.



### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.7.2 Deferred Tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial statements purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



### 3. Summary of Significant Accounting Policies (Cont.)

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### 3.7.3 Research and development tax incentive refund

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accruals basis. The refund is recognised in income tax benefit in the profit or loss.

#### 3.7.4 Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.8 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a reducing-balance basis over the estimated useful life of the assets as follows:

- Plant and equipment – over 5 to 10 years
- Leasehold improvements – 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### 3.9 Intangibles

##### 3.9.1 Intangible assets acquired separately

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with;

- finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.





### 3. Summary of Significant Accounting Policies (Cont.)

- The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

#### 3.9.2 Internally generated intangible assets - research and development

Research costs are expensed when incurred. Any costs that cannot be reliably split between research and development are also expensed when incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

#### 3.10 Impairment of tangible and Intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.



### 3. Summary of Significant Accounting Policies (Cont.)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### 3.11 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.



### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.11.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

No financial assets held are classified as financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments or 'available-for-sale' (AFS) financial assets.

##### 3.11.1.1 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### 3.11.1.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.11.1.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### 3.11.2 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

There are no financial liabilities classified as 'at FVTPL'



### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.11.2.1 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### 3.11.2.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.



### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.13 Employee benefits

##### Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

##### Long service leave

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

#### 3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

#### 3.15 Share-based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MGM Wireless Limited (market conditions) if applicable.



### 3. Summary of Significant Accounting Policies (Cont.)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date (if applicable). The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### 3.16 Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 3. Summary of Significant Accounting Policies (Cont.)

#### 3.17 Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any 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 earnings per share is calculated as net profit attributable to members of the parent, 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; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgments are based on historical experience 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.





#### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Cont.)

##### 4.1.2 Research and development

The Group incurs significant expenditure conducting research and development activities for new and existing products developed internally. As a result of this, professional judgment is required in order to identify which of these expenditures represent research and which represent development costs.

Expenditure associated with research activities are expensed as incurred in accordance with AASB 138. An intangible asset is recognised to record expenditure arising from development activities only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Any costs that cannot be reliably split between research and development activities are expensed when incurred.

#### 4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### 4.2.1 Recoverability of internally generated intangible asset

During the year, the Directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its technological development and distribution rights, which is included in the consolidated statement of financial position at 30 June 2018 at \$2.55M (30 June 2017: \$2.65M).

The carrying value of an intangible asset arising from development expenditure and distribution rights are tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.



## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Cont.)

### 4.3 Key Estimates

#### Impairment

The group assess impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recognised in respect of intangible assets, as the value-in-use calculation is greater than the carrying value of the assets. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss could be recognised up to the maximum carrying value of intangibles at 30 June 2018 amounting to \$2,548,645.

#### Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

A provision for doubtful debts of \$90,715 (2017: \$186,973) has been recognised for the year ended 30 June 2018.

#### Research and development tax incentive refund

The estimated amount recognised is based on detailed analysis of expenditure incurred. The actual amount to be claimed is finalised after completion of the current year's financial report and preparation of the Group's income tax return.



## 5. Revenue and Expenses

### Revenue

The following is an analysis of the Group's revenue

### Revenue

Schools sales

2,233,866 2,547,590

SI Income

54,000 69,750

All MyTribe sales

449,472 -

Sundry income

6,764 9,277

Total sales revenue

**2,744,102 2,626,617**

### Expenses

Rental expense relating to operating leases

89,902 99,990

Defined contribution superannuation expense

136,074 135,119

Option and share issue costs

615,449 -

Research costs

597,317 599,653



## 6. Income Tax

### 6. Income Tax

#### 6.1 Income tax benefit

The income tax benefit for the year can be reconciled to the accounting profit or loss as follows:

	Group Year Ended	
	30/06/2018 \$	30/06/2017 \$
(Loss)/ profit for the year	(1,765,009)	(986,127)
Prima facie tax benefit at 27.5%	(485,377)	(271,185)
Non-deductible items		
Other	170,428	86,302
Research and development tax offset	(283,667)	(331,479)
Effect on deferred tax balances due to change in income tax rate from 30% to 27.5%	-	461
Adjustments recognised in the current year in relation to the current tax of prior years	(7,283)	63,573
Adjustments recognised in the current year in relation to the deferred tax of prior years	(29,175)	-
Total income tax benefit	<u>(635,074)</u>	<u>(452,328)</u>
<b>6.2 Income tax expense recognised in the profit or loss</b>		
Current tax expense	166,074	308,551
Research and development tax offset	(771,219)	(901,224)
Adjustments recognised in the current year in relation to the current tax of prior years	(7,283)	63,573
Adjustments recognised in the current year in relation to the deferred tax of prior years	(29,175)	-
Deferred tax	6,529	76,772
	<u>(635,074)</u>	<u>(452,328)</u>
<b>6.3 Income tax expense recognised through equity</b>		
Deferred tax	(32,136)	-
	<u>(32,136)</u>	<u>-</u>



**6.4 Current tax assets and liabilities****Current tax liabilities**

Income tax payable

Group Year Ended	
30/06/2018	30/06/2017
\$	\$
154,583	311,011
<b>154,583</b>	<b>311,011</b>

**6.5 Deferred tax assets and liabilities****Deferred tax assets****Temporary differences**

Provision for doubtful debts

Property, plant and equipment

Prepayments

Trade payables/accrued expenses

Provisions for employee entitlements

Other

Group Year Ended	
30/06/2018	30/06/2017
\$	\$
9,215	23,833
8,123	9,024
60,639	74,055
43,961	46,657
59,835	66,839
32,136	-
<b>213,909</b>	<b>220,408</b>
<b>Deferred tax liabilities</b>	
<b>Temporary differences</b>	
(3,696)	(7,202)
(221,102)	(278,877)
<b>(224,798)</b>	<b>(286,079)</b>
<b>(10,889)</b>	<b>(65,671)</b>

**Deferred tax liabilities****Temporary differences**

Property, plant and equipment

Intangible assets

**6.5 Franking account**

Adjusted franking account balance

Company Year Ended	
30/06/2018	30/06/2017
\$	\$
-	-



## 7. Earnings Per Share

	Group	
	Year Ended 30/06/2018	30/06/2017
	\$	\$
<b>Basic earnings per share</b>		
Total basic earnings per share (cents per share)	(11.71)	(6.15)
<b>Diluted earnings per share</b>		
Total diluted earnings per share (cents per share)	(11.71)	(6.15)
<b>7.1 Basic earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.		
Net (loss)/profit for the year attributable to owners of the Company	(1,129,935)	(533,799)
Earnings used in the calculation of total basic earnings per share	(1,129,935)	(533,799)
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	9,645,837	8,682,878
<b>7.2 Diluted earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows.		
Net (loss)/profit for the year attributable to owners of the Company	(1,129,935)	(533,799)
Earnings used in the calculation of total diluted earnings per share	(1,129,935)	(533,799)
Weighted average number of ordinary shares for the purposes of diluted earnings per share (all measures)	9,645,837	8,682,878



## 8. Segment Revenues and Results

### 8.1 Products and services from which reportable segments derive their revenues

The Group operates predominately in three business segments, defined by the Groups different product and service offerings.

The groups reportable segments under AASB 8 are therefore as follows:

- School messaging services
- Smart watches and apps
- Other

This is the basis by which management controls and reviews the operations of the Group. Segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance on the same basis. No operating segments have been aggregated in arriving at the reportable segments of the group.

The school messaging reportable segment provides school messaging services and licence fees to various schools

Smart watches and apps reportable segment supply the 'Spacetalk' smartwatches and applications through retail distribution networks and online sales.

'Other' is the aggregation of the Group's other various sundry income and expenses.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

No operations were discontinued during the current financial year.

### 8.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit / (loss)	
	Year Ended		Year Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
School messaging services	2,287,866	2,617,339	(1,048,413)	(533,799)
Smart watches and apps	449,472	-	(81,522)	-
Other	6,764	9,277	-	-
<b>Total for Continuing Operation</b>	<b>2,744,102</b>	<b>2,626,617</b>		
(Loss) / profit after tax (continuing operations)			<b>(1,129,935)</b>	<b>(533,799)</b>

Segment revenue reported above represents revenue generated from external customers by each service or product. There were no inter-segment sales in the current year (2017: nil).



### 8.3 Segment assets and liabilities

	Assets		Liabilities	
	Year Ended		Year Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
School messaging services	3,002,322	3,205,177	713,430	836,956
Smart watches and apps	131,800	-	17,725	-
Total segment assets/ liabilities	3,134,122	3,205,177	731,155	836,956
Unallocated assets/ liabilities	3,421,779	2,011,446	165,472	376,682
Consolidated Assets	6,555,901	5,216,623		
Consolidated Liabilities			896,627	1,213,638

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than cash and R&D incentives.
- All liabilities are allocated to reportable segments other than deferred tax liabilities and current tax liabilities.

### 8.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
School messaging services	1,808,510	1,738,029	1,710,354	1,764,270
Smart watches and apps	-	-	-	-
Depreciation and Amortisation	1,808,510	1,738,029		
Additions to Non-Current Assets			1,710,354	1,764,270





### 8.5 Geographical Information

The Group operates in two principal geographical areas, Australia and New Zealand.

The Group's revenue from continuing operations from external customers by location of operations are detailed below.

	Revenue by geography	
	Year Ended	
	30/06/2018	30/06/2017
Australia	2,724,091	2,605,084
New Zealand	20,011	21,533
Total	2,744,102	2,626,617

All revenues in New Zealand result from the Group's preferred supplier status (1 of 3 companies) to New Zealand Government's Early Notification initiative whereby the Government funded the first year's license fees for all eligible schools.

### 8.6 Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

## 9. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 9.1 Cash & cash equivalents

Cash and bank balances

Group Year Ended	
30/06/2018	30/06/2017
\$	\$
2,649,810	1,109,972

### 9.2 Reconciliation of profit for the year to net cash flows from operating activities

Group Year Ended		
30/06/2018	30/06/2017	
\$	\$	
(Loss)/profit for the year	(1,129,935)	(533,799)
Adjustments for:		
Depreciation and amortisation	1,808,510	1,738,029
Options issue costs	480,796	-
Non cash shares issued	310,268	-
Movements in working capital		
Decrease/(increase) in trade and other receivables	125,651	431,488
Decrease/(increase) in other current assets	96,886	(76,483)
Decrease/(increase) in inventory	(120,133)	-
Decrease/(increase) in deferred tax assets	-	11,101
(Decrease)/increase in trade payables	(80,332)	170,119
(Decrease)/increase in provisions	(25,469)	358
(Decrease)/increase in tax liability	(156,428)	(108,454)
(Decrease)/increase in deferred tax liability	(54,782)	65,671
Cash flows from operating activities	1,255,032	1,698,030



## 10. Trade and Other Receivables

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
<b>10.1 Trade and other receivables</b>		
Trade receivables	327,858	549,767
Provision for doubtful debts	(90,715)	(186,973)
	<u>237,143</u>	<u>362,794</u>

Trade and other receivables have been reviewed and a provision for doubtful debts of \$90,715 (2017: \$186,973) established. No further impairment loss is considered necessary.

Terms and conditions relating to the above financial instruments:

- Trade receivables are non-interest bearing and generally repayable in the range within 30-180 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
<b>10.2 Past due but not impaired trade receivables</b>		
Past due 0-30 days	29,448	10,627
Past due 31-60 days	3,666	8,647
Past due 61 - 90 days	451	1,162
Past due over 91 days	86,620	308,476
	<u>120,185</u>	<u>328,912</u>

As at 30 June 2018, trade receivables of \$120,185 (2017: \$328,912) were past due but not impaired. These relate to accounts where there is no recent history of default.

## 10. Trade and Other Receivables (Cont.)

	Group Year Ended	
	30/06/2018	30/06/2017
<b>10.3 Movement in the provision for doubtful debts</b>		
Balance at the beginning of the year	\$ (186,973)	\$ (72,048)
Amounts recovered during the year	-	-
Decrease/(Increase) in provision attributable to new sales	96,257	(114,925)
Balance at the end of the year	<u>(90,715)</u>	<u>(186,973)</u>

## 11. Other Current Assets

Other Current Assets	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
R&D tax incentive	771,219	901,224
Prepayments	54,405	21,286
	<u>825,624</u>	<u>922,510</u>

## 12. Interest in Subsidiaries

Unlisted Controlled Entity	Date of Acquisition	Country of Incorporation	Class of Shares	Cost of Parent Entity's Investment	Cost of Parent Entity's Investment
				30/06/2018	30/06/2017
MGM Wireless Holdings Pty Ltd	08/10/2003	Australia	Ordinary	\$ 767,000	\$ 767,000
Message You LLC	11/09/2006	USA	Ordinary	124,440	124,440
MGM Wireless (NZ) Pty Ltd	18/05/2010	Australia	Ordinary	80	80
				<u>891,520</u>	<u>891,520</u>

The equity holding in all companies is 100%. These investments have been eliminated on consolidation.



## 13. Plant, Equipment and Leasehold Improvements

	Plant and Equipment \$	Leasehold Improvements \$	Total \$
<b>Cost</b>			
Balance at 30 June 2016	321,110	182,607	503,717
Additions	10,986	2,398	13,384
Balance at 30 June 2017	332,096	185,005	517,101
Additions	22,555	4,212	26,767
Balance at 30 June 2018	354,651	189,217	543,868
<b>Accumulated depreciation and impairment</b>			
Balance at 30 June 2016	(242,844)	(92,412)	(335,256)
Depreciation expense	(5,171)	(2,613)	(7,784)
Balance at 30 June 2017	(248,015)	(95,025)	(343,040)
Depreciation expense	(19,478)	(6,804)	(26,282)
Balance at 30 June 2018	(267,493)	(101,829)	(369,322)
<b>Written Down Value 30 June 2018</b>	87,158	87,388	174,546



## 14. Intangible Assets

### Intangible Assets

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
At cost	9,659,782	7,976,195
Accumulated amortisation and impairment	(7,111,137)	(5,328,909)
<b>Carrying Value</b>	<b>2,548,645</b>	<b>2,647,286</b>

Cost	Distribution Rights	Capitalised Development Costs	Total
	\$	\$	\$
Balance at 30 June 2016	441,017	5,784,292	6,225,309
Additions from internal developments	-	1,750,886	1,750,886
Balance at 30 June 2017	441,017	7,535,178	7,976,195
Additions from internal developments	-	1,683,587	1,683,587
Balance at 30 June 2018	441,017	9,218,765	9,659,782
<b>Accumulated amortisation and impairment</b>			
Balance at 30 June 2016	(132,305)	(3,466,359)	(3,598,664)
Amortisation	(44,102)	(1,686,143)	(1,730,245)
Balance at 30 June 2017	(176,407)	(5,152,502)	(5,328,909)
Amortisation	(44,100)	(1,738,128)	(1,782,228)
Balance at 30 June 2018	(220,507)	(6,890,630)	(7,111,137)
<b>Carrying Value 30 June 2018</b>	<b>220,510</b>	<b>2,328,135</b>	<b>2,548,645</b>

The useful life of 'Distribution Rights' is 10 years. Due to the nature of the projects developed in the current period, Capitalised cost has been amortised over a useful life of 3 years.

Distribution rights have arisen from the acquisition of territory rights from former distributors. These assets have provided the Company the right to operate in the respective territories. The income from those territories; Western Australia, South Australia, Queensland, Victoria and Tasmania is the major part of MGM Wireless's income.



## 15. Trade and Other Payables

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
Trade payables	367,957	404,665
Indirect tax liability	80,180	96,693
Accrued SMS charges	65,436	92,548
	<u>513,573</u>	<u>593,906</u>

Terms and conditions relating to the above financial instruments:

- Trade creditors and accrued charges are non-interest bearing and normally settled on terms between 30-180 days.
- Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

## 16. Provisions

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
<b>Current</b>		
Employee benefits	217,582	243,050

The provision for employee benefits represents annual leave and long service leave entitlements accrued.



## 17. Issued capital

### 17.1 Issued and paid up capital

Ordinary shares, fully paid

(30 June 2018: 11,847,500, 30 June 2017: 8,691,438)

Group Year Ended	
30/06/2018	30/06/2017
\$	\$
<b>9,966,782</b>	7,469,606

### 17.2 Fully paid ordinary shares

Balance as at 30 June 2016

Shares issued to Directors

Balance as at 30 June 2017

Shares issued in entitlement offer on 3 October 2017

Shares issued to the underwriter on 9 October 2017

Shares issued to contractor for corporate and investor solutions

Share issued in placement on 23 April 2018

Shares issued in purchase plan on 29 May 2018

Shares issued to employee

Share issue costs

Balance as at 30 June 2018

Group	
Number of shares	Share capital \$
<b>8,664,960</b>	7,454,029
<b>26,478</b>	15,577
<b>8,691,438</b>	7,469,606
<b>487,230</b>	170,531
<b>350,000</b>	122,500
<b>370,000</b>	343,348
<b>750,000</b>	750,000
<b>1,049,923</b>	1,049,923
<b>148,909</b>	166,778
-	(105,904)
<b>11,847,500</b>	<b>9,966,782</b>

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote, either in person or by proxy, at a meeting of the Group.





## 17. Issued capital (Cont.)

	Expiry Date	Exercise Price	Number	Expired	New	exercised	Closing
<b>Options</b>							
	27/08/2018	\$1.10 each	30,000	-	-	-	30,000
	30/04/2018	\$1.25 each	230,000	(230,000)	-	-	-
	30/04/2020	\$1.40 each	240,000	-	-	-	240,000
	08/12/2018	\$0.75 each	250,000	-	250,000	(170,000)	80,000
	30/04/2020	\$0.60 each	350,000	-	350,000	-	350,000
	28/05/2019	\$1.30 each	150,000	-	150,000	-	150,000
			<u>1,250,000</u>	<u>(230,000)</u>	<u>750,000</u>	<u>(170,000)</u>	<u>850,000</u>
<b>Employee rights</b>							
	16/05/2019	\$0 each	5,000	-	5,000	-	5,000
	16/11/2019	\$0 each	5,000	-	5,000	-	5,000
	23/11/2018	\$0 each	15,000	-	15,000	-	15,000
	23/05/2019	\$0 each	15,000	-	15,000	-	15,000
	30/11/2018	\$0 each	10,000	-	10,000	-	10,000
	04/12/2018	\$0 each	10,000	-	10,000	-	10,000
			<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	Total		<u>1,310,000</u>	<u>(230,000)</u>	<u>810,000</u>	<u>(170,000)</u>	<u>910,000</u>

During the year, the company issued 170,000 ordinary shares under the share option plan and nil under the employees right plan (2017: nil).



## 18. Reserves

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
Option issue reserve	764,521	483,583
Foreign currency translation reserve	(29,009)	(37,119)
	<b>735,512</b>	<b>446,464</b>

	Option Issue Reserve	Foreign Currency Translation Reserve
Balance as at 30 June 2016	483,583	(19,708)
Currency translation differences	-	(17,411)
Balance as at 30 June 2017	483,583	(37,119)
Options issued	319,786	-
Options exercised	(38,848)	-
Currency translation differences	-	8,110
Balance as at 30 June 2018	<b>764,521</b>	<b>(29,009)</b>

### Nature and purpose of reserve

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

The foreign currency translation reserve is used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries and are recognised directly in the total comprehensive Income for the year.

## 19. Dividends

No dividends have been declared in respect of the 2018 financial year. (2017: Nil)

Due to the R&D tax incentives taken up by the group, dividends paid during the 2014 to 2016 financial years were unfranked. It is anticipated that as long as the Group is entitled to the R&D tax incentive future dividends will also be unfranked.

## 20. Capital risk management

### 20.1 Capital risk management

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the group can fund its operations and continue as a going concern.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the group since the prior year

### 20.2 Gearing ratio

The gearing ratio at end of the period was as follows.

Net Debt

Equity

Net debt to equity ratio

Group Year Ended	
30/06/2018	30/06/2017
\$	\$
-	-
-	-
5,659,274	4,280,824
0.0%	0.0%

## 21. Financial instruments

### 21.1 Financial risk management

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group does not speculate in the trading of derivative instruments. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.



## 21. Financial instruments (Cont.)

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

### Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates.

Its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
Cash and cash equivalents (interest-bearing accounts)	2,649,810	1,109,972
Net exposure	2,649,810	1,109,972

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the table below illustrates the effect on post tax profit and equity of the change in cost relevant to the financial assets of the Group:

## 21. Financial instruments (Cont.)

	Group Year Ended	
	30/06/2018	30/06/2017
Post tax profit - higher/ (lower)	\$	\$
0.50%	60	56
-0.50%	(60)	(56)
Equity – higher / (lower)		
0.50%	60	56
-0.50%	(60)	(56)

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short- medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by;

- monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained,
- continuously monitoring forecast and actual cash flows, and
- matching the maturity profiles of financial assets and liabilities based on management's expectations.

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows within the 2018 financial period.

	Group Year Ended	
	30/06/2018	30/06/2017
Financial assets	\$	\$
Cash & cash equivalents	2,649,810	1,109,972
Trade and other receivables	237,143	362,794
	<b>2,886,953</b>	<b>1,472,766</b>
Financial liabilities		
Trade & other payables	367,957	404,665
Borrowings	-	-
Indirect tax liability	80,180	96,693
	<b>448,137</b>	<b>501,358</b>
Net Maturity	<b>2,438,816</b>	<b>971,408</b>



## 21. Financial instruments (Cont.)

The maturity date for all financial assets and financial liabilities is less than 12 months in duration. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

### Credit risk

Credit risk arises from the financial assets of the Company, which comprise deposits with banks and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Statement of Financial Position represents the Company's maximum exposure to credit risk in relation to those assets.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts. Trade and other receivables are expected to have a maturity of less than 12 months, for both year-ends.

There are no significant concentrations of credit risk within the Company.

### Foreign currency risk

As a result of operations in the USA, being denominated in USD, and operations in New Zealand being denominated in NZD the Group's balance sheet can be affected by movements in the respective AUD exchange rates. The Company does not hedge this exposure.

In the reporting period the Group's volume of transactions in both USD and NZ currency was low and immaterial for the year ended 30 June 2018.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in USD and NZD, to meet current operational commitments.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

### Fair value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the Statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.



## 22. Share-based payments

### 22.1 Employee share option plan

The Group has an ownership-based compensation plan for executives and senior employees and contractors. In accordance with the terms of the plan executives, senior employees and contractors may be granted options to purchase ordinary shares. Each share option converts into one ordinary share of MGM Wireless Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of their vesting to the date of their expiry.

The weighted average share price during the year was \$0.853 (2017: \$0.622)

There were 750,000 options granted during the current financial year and 60,000 employee rights issued.

During the financial year, the following share based arrangements were in existence:

Name	Number	Grant Date	Expiry Date	Grant Date Fair Value	Exercise price	Vesting Date	exercised
Granted on 4 September 2013	30,000	04-09-13	27-08-18	\$0.41	\$1.10	Vests at date of grant	-
Granted on 17 Dec 2014	230,000	17-12-14	30-04-18	\$0.40	\$1.25	lapsed	-
Granted on 7 Dec 2015	240,000	07-12-15	30-04-20	\$0.37	\$1.40	Vests at date of grant	-
Granted on 8 Dec 2017	250,000	08-12-17	30-04-20	\$0.23	\$0.75	Vests at date of grant	170,000
Granted on 18 Dec 2017	350,000	18-12-17	30-04-20	\$0.27	\$0.60	Vests at date of grant	-
Granted on 29 May 2018	150,000	29-05-18	28-05-19	\$1.01	\$1.30	Vests at date of grant	-
Employee right 1	10,000	16-11-17	16-11-19	\$0.37	\$0.00	16-05-19	-
Employee right 2	15,000	23-11-17	23-05-19	\$0.51	\$0.00	23-11-18	-
Employee right 3	15,000	23-11-17	23-05-19	\$0.51	\$0.00	23-11-18	-
Employee right 4	10,000	30-05-18	30-11-18	\$1.89	\$0.00	30-11-18	-
Employee right 5	10,000	04-06-18	04-12-18	\$2.20	\$0.00	04-12-18	-



## 22.1 Employee share option plan (Cont.)

The following table outlines the share options on issue and movements during the reporting periods presented:

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
	No.	No.	No.	(\$)	No.	No.	No.
<b>2018</b>							
Granted on 4 September 2013	30,000	-	-	-	-	30,000	30,000
Granted on 17 Dec 2014	230,000	-	-	-	(230,000)	-	-
Granted on 7 Dec 2015	240,000	-	-	-	-	240,000	240,000
Granted on 8 Dec 2017	-	250,000	(170,000)	-	-	80,000	80,000
Granted on 18 Dec 2017	-	350,000	-	-	-	350,000	350,000
Granted on 29 May 2018	-	150,000	-	-	-	150,000	150,000
Employee right 1	-	10,000	-	-	-	10,000	-
Employee right 2	-	15,000	-	-	-	15,000	-
Employee right 3	-	15,000	-	-	-	15,000	-
Employee right 4	-	10,000	-	-	-	10,000	-
Employee right 5	-	10,000	-	-	-	10,000	-

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
	No.	No.	No.	(\$)	No.	No.	No.
<b>2017</b>							
Granted on 7 November 2013	310,000	-	-	1.60	(310,000)	-	-
Granted on 4 September 2013	30,000	-	-	1.10	-	30,000	30,000
Granted on 17 Dec 2014	230,000	-	-	1.25	-	230,000	230,000
Granted on 7 Dec 2015	240,000	-	-	1	-	240,000	240,000

Share options outstanding at the end of the year had a weighted average exercise price of \$0.92 (2017: \$1.31) The average remaining contractual life of options outstanding at the end of the financial year was 0.87 years (2017: 1.88).

## 22.2 Fair Value of share options granted during year

There were a number of options and employee rights granted during the year (2017: nil). The weighted average fair value of the share options and employee rights granted during the financial year is \$0.45 (2017: nil) the valuation model inputs used to determine the fair value as at grant date were as follows:

Options:											
Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	option life	Dividend yield	Risk free interest rate	Fair value at grant date	Number of options	Vesting date	Expensed during the period
08-12-17	08-12-18	\$0.81	\$0.75	62.50%	1 year	0.00%	1.82%	\$0.23	250,000	vest at date of grant	\$ 38,848
18-12-17	30-04-20	\$0.66	\$0.60	62.50%	2.4 years	0.00%	1.82%	\$0.27	350,000	vest at date of grant	\$ 95,463
29-05-18	28-05-19	\$1.94	\$1.30	103.10%	1 year	0.00%	2.00%	\$1.01	150,000	vest at date of grant	\$ 151,887
Total											\$ 286,198

The above relate to option expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve during the year.





## 22.2 Fair Value of share options granted during year (Cont.)

Employee rights:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	option life	Dividend yield	Risk free interest rate	Fair value at grant date	Number of options	Vesting date	Expensed during the period
16-11-17	16-05-19	\$0.38	\$0.00	89.90%	1.5 years	0.00%	1.82%	\$0.37	5,000	16-05-19	\$ 774
16-11-17	16-11-19	\$0.38	\$0.00	89.90%	2 years	0.00%	1.82%	\$0.37	5,000	16-11-19	\$ 579
23-11-17	23-11-18	\$0.51	\$0.00	89.90%	1 year	0.00%	1.82%	\$0.51	15,000	23-11-18	\$ 4,582
23-11-17	23-05-19	\$0.51	\$0.00	89.90%	1.5 years	0.00%	1.82%	\$0.51	15,000	23-05-19	\$ 3,062
30-05-18	30-11-18	\$1.89	\$0.00	63.50%	0.5 years	0.00%	2.00%	\$1.89	10,000	30-11-18	\$ 3,184
04-06-18	04-12-18	\$2.20	\$0.00	63.50%	0.5 years	0.00%	2.00%	\$2.20	10,000	04-12-18	\$ 3,126
Total											\$ 15,307

The above relate to employee remuneration expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve

## 23. Related party transactions

### 23.1 Subsidiaries

The consolidated financial statements include the financial statements of MGM Wireless Ltd and the subsidiaries that are listed in the table in Note 12.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 12.

### 23.2 Parent entity disclosure

MGM Wireless Ltd is the ultimate Australian parent entity and the ultimate parent of the Group.

The following is financial information about the parent entity required by Regulation 2M.3.01 of the Corporations Act 2001.



## 23.2 Parent entity disclosure (Cont.)

Financial position	30/06/2018	30/06/2017
	\$	\$
<b>Assets</b>		
Current assets	-	-
Non-current assets	6,885,843	4,388,667
<b>Total assets</b>	<b>6,885,843</b>	<b>4,388,667</b>
<b>Liabilities</b>		
Current liabilities	-	-
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>6,885,843</b>	<b>4,388,667</b>
<b>Equity</b>		
Issued capital	9,966,782	7,469,606
Retained earnings	(3,080,939)	(3,080,939)
<b>Total equity</b>	<b>6,885,843</b>	<b>4,388,667</b>
<b>Financial performance</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>30/06/2018</b>	<b>30/06/2017</b>
	\$	\$
Profit for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries. There are no guarantees entered into in relation to debt for any subsidiaries.

## 23.3 Key management personnel

Disclosures relating to key management personnel are set out in Note 24.

## 23.4 Other equity interests

There are no equity interests in associates, joint ventures or other related parties.

## 23.5 Transactions with related parties

During the 2018 financial year \$10,494 was paid to Newsgallery for PR advisory services (2017: nil). Newsgallery is a related entity of Leila Henderson.

During the 2018 financial year \$43,300 was paid to Mount Seventh for consulting fees (2017: nil). Mount Seventh is a related entity of Glen Butler.



### 23.5 Transactions with related parties (Cont.)

The terms and conditions of the transactions with Directors and Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

## 24. Director and executive disclosures

### 24.1 Compensation of key management personnel

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Group is set out below:

	Group	
	Year Ended	
	30/06/2018	30/06/2017
	\$	\$
Short-term	441,205	583,262
Post Employment	45,145	49,243
Other Long-Term	76,012	-
Fees paid to related entities	53,794	-
Termination Benefits	-	47,465
Share-based payment	95,464	-
	<b>711,620</b>	<b>679,970</b>

### 24.2 Loans with key management personnel

There were no loans to key management personnel or their related entities during the current or previous financial year.

## 25. Commitments

### Lease commitments

Operating leases relate to the office premises in Rose Park with lease terms of 3 years for both tenancies. All operating lease contracts contain annual market rental reviews. The Group does not have an option to purchase the leased offices at the end of the lease.

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
Payments recognised as an expense	88,052	99,990
Payments due under operating leases:		
Not later than one year	84,647	53,254
Later than one year and not later than 5 years	138,583	53,254
	<u>223,230</u>	<u>106,508</u>

## 26. Remuneration of auditors

	Group Year Ended	
	30/06/2018	30/06/2017
	\$	\$
Audit and review of financial statements of Group by:		
- Grant Thornton	19,053	23,613
- Ian G McDonald	14,000	-
	<u>33,053</u>	<u>23,614</u>

Ian G McDonald was appointed as the auditor with effect from 8 June 2018. The appointment follows the resignation of Grant Thornton as the previous Company's auditor. No other services have been provided by the auditor in the 2018 financial year.

## 27. Company details

The registered office and principal place of business of the Company is:

Suite 13 The Parks  
154 Fullarton Road  
Rose Park SA 5067



## 28. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2018, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

**Additional Stock Exchange Information as at 31 August 2018***Ordinary share capital*

	<b>Ordinary Shares</b>
<b>Number of holders</b>	
<i>Distribution of listed shareholders / option holders</i>	
1-1000	332
1001-5000	350
5001-10000	124
10001-100000	164
100001 and over	24
Total number of holders	<u>994</u>
Total on issue	<b>11,877,500</b>
Holding less than a marketable parcel	74

All issued ordinary shares carry one vote per share. Each member present in person, or by proxy, representative or attorney, has one vote on a show of hands and one vote per share on a poll for each share held. Each member is entitled to notice of, and to attend and vote at, general meetings. Options do not carry a right to vote.



**Additional Stock Exchange Information as at 21 September 2018**

<i>Substantial shareholders</i>	<b>Number</b>	<b>% of units</b>
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	611,015	5.11
<i>Twenty largest shareholders</i>		
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	611,015	5.11
MR NOEL GEORGE HURD	426,528	3.57
I-HOLDINGS PTY LTD <FORTUNATOW FAMILY S/F A/C>	369,371	3.09
GLENEAGLE SECURITIES (AUST) PTY LIMITED <PINK STYLE A/C>	289,356	2.42
YAVERN CREEK HOLDINGS PTY LTD	277,533	2.32
RYANU SERVICES PTY LTD <RYANU FAMILY A/C>	252,471	2.11
MRS PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	235,001	1.97
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	234,762	1.96
JB TORO PTY LTD	223,898	1.87
DR PRIYA AMARA SELVA-NAYAGAM + DR CRAIG LLOYD JAMES <THE JAMES SUPER FUND A/C>	207,793	1.74
WESTMINSTER SCHOOL FOUNDATION INCORPORATED	205,902	1.72
PINK STYLE PTY LTD	202,067	1.69
MR MARK FORTUNATOW + MRS PAULA FORTUNATOW <FORTUNATOW FAMILY S/F A/C>	200,993	1.68
FGDG SUPER PTY LTD <FG HEPPINGSTONE P/L S/F A/C>	185,902	1.55
CS FOURTH NOMINEES PTY LIMITED <HSBS CUST NOM AU LTD 11 A/C>	183,194	1.53
RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	165,731	1.39
KINGSTON PROPERTIES PTY LIMITED <BYRON ACCOUNT>	163,402	1.37
IVESTA PTY LTD	160,000	1.34
MR CHARLES MORPHY	153,000	1.28
HONNE INVESTMENTS PTY LIMITED	150,000	1.25
<i>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</i>	4,897,919	40.96
<i>Total Remaining Holders Balance</i>	7,059,581	59.04



## Unlisted options

### Additional Stock Exchange Information as at 21 September 2018

#### Unlisted options

Expiry date	28-05-19	30-04-20	30-04-20
Exercise price	\$1.30	\$1.40	\$0.60
Total Options Issued	150,000	240,000	350,000
Number of holders	1	4	3
Holders with more than 20%			
- Mark Fortunatow	-	170,000	250,000
- Tara Lewis-Christie	-	10,000	-
- Mark Hurd	-	50,000	-
- Leila Henderson	-	10,000	50,000
- Glen Butler	-	-	50,000
- Gleneagle Securities Pty Ltd	150,000	-	-

## Restricted securities

There are no restricted securities.

## On-market buy-back

Currently there is no on-market buyback of the Company's securities.

## Company Secretary

Mr Justin Nelson

## Registered Office and Principal Administration Office

Suite 13 The Parks  
154 Fullarton Avenue  
Rose Park SA 5067  
Telephone (08) 8104 9555

## Share Registry

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
Adelaide SA 5000  
Ph 1300 556 161  
(08) 9415 4000  
F 1300 534 087

