



MGM Wireless Ltd.
ASX:MWR ABN 93 091 351 530
The Parks, Suite 13
154 Fullarton Road
ROSE PARK SA 5067
AUSTRALIA
Phone: (08) 8104 9555
Facsimile: (08) 8431 2400
www.mgmwireless.com

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ASX Release
MGM Wireless Ltd
Wednesday, 30 August 2017

2017 Financial results

- Sales Revenue up 4% to \$2.62 million
- Net loss after tax of \$0.53 million
- Net cash from operating activities down 6% to \$1.7 million
- Borrowings reduced to zero; cash balance of \$1.1 million
- R & D advances hardware device for AllMyTribe towards commercialisation

Mobile technology specialist MGM Wireless (ASX: MWR) has released its financial statements for the year ended 30 June 2017 today, reporting a net loss after tax of \$533,799 as increased expenses associated with growth and product development and debt provisioning offset gains made in revenue and gross profit.

2017 Key results

twelve months ended 30 June
\$ million unless otherwise specified

| | 2017 | 2016 | Change |
|--|---------------|-------------|---------------|
| Sales Revenue | 2.62 | 2.51 | + 4% |
| Total Revenue | 2.63 | 2.58 | + 2% |
| EBITDA | 0.76 | 1.33 | (43)% |
| Net Profit | (0.53) | 0.50 | (205)% |
| Dividend per share (cents) | 0 | 1.3 | (100)% |
| EBITDA margin | 29% | 52% | (23)% |
| Net cash from operating activities | 1.70 | 1.81 | (6)% |
| Cash balance | 1.11 | 1.41 | (21)% |
| Net cash/(debt) | 1.11 | 1.29 | (14)% |
| Earnings per share (basic) cents | (6.15) | 5.84 | (205)% |
| Contracted Schools & Early Learning Centres | 1,061 | 973 | + 9 % |

The financial result was generated from total revenue of \$2,626,617, up 2% on the previous year's revenue of \$2,575,684. Sales revenue rose 2% to be \$2,531,639. The higher sales revenue is attributable to increased licence fee income generated by the growth in the company's contracted schools, which rose by 9% over the period to be 1,061. Gross profit also rose by 9% to \$2,337,647.

The higher gross profit was more than offset by a 53% increase in expenses that was chiefly driven by a rise in non-cash expenses, principally amortisation and bad debts, which rose by \$616,043. Amortisation, which was \$526,544 higher than 2016, has risen in line with the company's ongoing research and development.

The adoption of a more aggressive treatment of research and development expenditure also impacted expenses relative to the previous year, with expensing of some corporate and administration costs incurred in R & D that were formerly capitalised. This together with costs incurred to support the company's growth during the period contributed to a 103% increase in corporate and administration costs compared with the previous year. Additional costs associated with growth included those associated with the Queensland Department of Education contract roll-out, continued investment in staff training and short term costs associated with the shift to a new upgraded cloud based enterprise platform. The new platform, Microsoft Azure, is expected to result in lower ongoing costs and improved efficiency and quality.

Cash generation decreased 6%, with net cash from operating activities of \$1,698,030 compared with the previous corresponding figure of \$1,814,385.

MGM Executive Chairman Mark Fortunatow said: "While the result is lower than we anticipated, the net profit is largely due to non-cash factors and the investment we have made in growing the business and in research and development as we approach commercialisation of our wearable technology.

"At the most fundamental level, the business has performed solidly with regard to sales, our customer base and gross profit," Mr Fortunatow said. "The company paid down its borrowings to zero and has still completed the year with a cash balance of \$1.1 million.

"We have increased our R & D spending and moved closer to market launch of our wearables and smartwatch technology. The device we have developed is exciting, having passed extensive field trials. We believe it has the potential to significantly grow the company's revenues as we expand into the fast growing IoT and wearables sector.

"However, growth in school numbers has brought some additional costs, particularly in Queensland where the post agreement variations we outlined in May slowed implementation, imposed expenditure and tied up resources that would otherwise have been focussed on building other parts of the business. While these have been dealt with, and the business returned to our proven practices, it has impacted our results."

The company anticipates ongoing growth from its school communication and attendance management business in FY18. The company is also planning for the retail launch of the Spacetalk children's 3G smartwatch phone in October 2017. The device operates with the AllMyTribe family locator and child safety platform and is believed to be the world's first 3G smartwatch phone designed for children. The device has successfully completed recent field trials and will go into production in the coming weeks.

About MGM Wireless Ltd and Messageyou, LLC

MGM Wireless is recognized in Australia and internationally as a pioneer of socially responsible technology-enabled school communications with a proven track record of designing, developing and commercialising innovative world class technology products.

The Company's patented SMS School communication solutions empower schools to effectively communicate to parents and caregivers using SMS text messaging to improve student attendance, welfare, safety and parent engagement. Measurable benefits for schools include reduced operating costs, increased productivity and improved parent and community engagement which ultimately improve student learning and social outcomes.

Schools in Australia and New Zealand use messageyou software in their day to day operations.

For further information contact:
MGM Wireless Ltd. - (ASX:MWR)
Mark Fortunatow, CEO
Web: www.mgmwireless.com

Mobile: +61 421 328 984
Phone: +61 8 8431 2300
Email:
mfortunatow@mgmwireless.com

Appendix 4E
Preliminary Final Report
Under Listing Rule 4.3A

MGM Wireless Limited

(ABN 93 091 351 530)
Year Ending 30 June 2017
(Previous corresponding period – Year ending 30 June 2016)

For personal use only

Appendix 4E
Preliminary Final Report

MGM Wireless Limited

(ABN 93 091 351 530)

Year Ending 30 June 2017

(Previous corresponding period – Year ending 30 June 2016)

Results for announcement to the market

| | | | \$ |
|--|--------------------------------|--|-----------|
| Revenue from ordinary activities | up 2% | to | 2,626,617 |
| Profit/(loss) from ordinary activities after tax attributable to members | Down 205% | to | (533,799) |
| Net Profit/(loss) for period attributable to members | Down 205% | to | (533,799) |
| Dividends (distributions) | Amount per security | Franked amount per security | |
| Final dividend | Nil¢ | Nil¢ | |
| Previous corresponding period | 1.3¢ | Nil¢ | |
| Record date for determining entitlements to dividends | | Not applicable | |
| Payment date | | Not applicable | |
| Net tangible asset backing | 30 June 2017 | 30 June 2016 | |
| Net tangible asset backing per ordinary security | \$0.16 | \$0.23 | |
| Control gained or lost over entities during the period | | | |
| Name of entity | | Not applicable | |
| Date of gaining or losing control | | Not applicable | |
| Dividend or distribution reinvestment plan details | | | |
| There is no conduit foreign income for this dividend. | | | |
| Joint venture and associate details | | Not applicable | |
| Foreign entities' accounting standards used | | Not applicable | |
| Status of Audit | | | |
| The statutory financial statements of the consolidated entity are in the process of being audited. | | | |

**MGM Wireless Limited
Commentary on Results
For the Year Ended 30 June 2017**

The directors of MGM Wireless Ltd are pleased to report the Company's financial results for the 12 months to 30 June 2017.

Review of operations

Description of operations

MGM Wireless generates revenue and income through the provision of technology solutions that assist schools to improve communication within their communities and for cost effective management and improvement of student attendance and engagement. Through research and development, the Company has developed a range of products to meet school needs which are supplied and supported under long term contracts.

The Company's strategy to deliver returns to shareholders through these operations involves:

- innovation, development and sale of products that win market support by offering best in class functionality and security while giving users demonstrable advances in the management of communication, attendance, engagement and safety;
- expansion of the number of schools using MGM Wireless products and the number of MGM Wireless products used per school; and
- optimisation of business operations to improve efficiency and operating margins.

The company is also engaged in research and development in the application of technology to applications and services to deliver gains in cost, effectiveness, convenience and welfare. Initiatives being undertaken within this are at varying and early stages of development. The initiatives include the development of the AllMyTribe Internet of Things (IoT) platform and developing a range of children's smartwatches and family wearable devices.

Statesman Institute

In November 2017, the company announced its participation in the formation of a new business; Statesman Institute ("Si"), a new, disruptive public affairs consultancy service. Since the announcement, Si has acquired further new, high profile clients. The capital invested in Si and its revenue generation are not material at this stage.

Overview

In summary, the 2017 financial results feature increased revenue and gross profit brought by customer growth, more than offset by higher costs associated with new business growth in Queensland and an increase in non-cash amortisation and receivables provisioning to result in a net loss after tax.

The company's business base expanded significantly during the year. At 30 June contracted schools and early learning centres totalled 1,061; 9% higher than the previous corresponding figure of 973. The major share of this growth was recorded in Queensland after the company was selected as an approved supplier of absence management and parent notification systems. However as advised to the ASX on May 31, changes to installation procedures imposed after the contract award brought delay and additional costs to the new business associated with the Queensland appointment, thereby reducing EBITDA margins. As also announced on May 31, the company has stepped back from Queensland business development under the panel system and reverted to prior, more economic business practice.

Research and development of new products is an ongoing priority of the company, with the chief focus in 2017 being the development of a children's 3G smartwatch phone to operate on the company's AllMyTribe Internet of Things (IoT) platform. This project has advanced considerably with the successful development and testing of prototype units. The initial batch of Spacetalk watches is planned to commence manufacturing in the coming weeks.

Income statement

MGM Wireless recorded a net loss after tax of \$533,799 for the half year compared to \$503,674 in the previous corresponding period. Earnings per share were (6.15) cents compared with 5.84 cents on a fully diluted basis.

Revenue, cost of sales and gross profit

The profit was generated from total revenue of \$2,626,617, 2% higher than the 2016 revenue of \$2,575,684. Sales revenue accounted for \$2,531,639 of this figure with the balance being consulting and installation income, including income from Statesman Institute.

Sales revenue grew by 2% in comparison with the previous year due to increased licence fees brought by the expansion in customer numbers.

Cost of sales of \$193,992 were 38% lower than the previous year's figure of \$311,455. Re-negotiated wholesale supplier arrangements with Australian mobile network operators were responsible for the improvement.

The combination of higher revenue and reduced cost of sales resulted in gross profit rising by 9% compared with the previous year, to be \$2,337,647.

Other expenses

Increases in other expenses, most particularly amortisation and corporate and administration expenses, resulted in the loss after tax reported. These included:

- Doubtful debts, which increased from \$42,807 to \$230,755 following review of aged receivables (discussed further under the heading 'Statement of financial position' following).
- Amortisation and depreciation, which rose by \$526,544 to be \$1,738,029, reflecting the increased investment made in R & D in recent years.
- Corporate and Administration costs of \$842,189 compared with \$414,094. In comparison with the previous year, the 2017 expense was unfavourably affected by a change in accounting treatment of corporate and administration expenses incurred in research and development which were previously capitalised. This change accounted for \$315,025 of the movement compared with the previous year. Corporate and administration expense for 2017 was also affected by increased costs associated with business development and training associated with new business in Queensland. The corporate and administration expense also includes costs associated with the Statesman Institute venture launched during the year as announced December 7 2016.
- Employee costs of \$550,777, up from \$336,604 due to a number of factors including investments made in sales training, recruitment expenses, the investment in additional resources to support business growth in Queensland and the inclusion in the 2017 full year accounts of a \$40,000 accrual for pay to 30 June (zero in FY16).
- Income tax expense was a credit of (\$452,328), which includes the research and development grant tax offset of \$901,244.

Cash flows

The company continues to generate strong cash flow, which together with cash balances, is applied to research and development, debt reduction and dividend distribution.

Cash generated by operating activities was \$1,698,030, 6% below the previous corresponding figure of \$1,814,385.

Cash applied to investing activities also fell by 4% to \$1,764,270. Investment in research and development expenditure, which was down from \$1,750,866 to \$1,843,413 with less invested in capitalisation and expensed through operations the major factor in the movement.

Cash was also applied to debt repayment (\$115,000) and dividend payment (\$97,037).

Statement of financial position

The Company maintains a strong financial position with cash of \$1,109,972 and zero debt after borrowings were repaid in full during the year.

Trade and other receivables reduced from \$794,282 to \$362,794, chiefly through the review and management of overdue receivables which resulted in the recovery of \$192,976 and \$238,512 being either provided for or written off.

Intangible assets increased from \$2,626,645 to \$2,647,286; with capitalisation of development expenditure being the principal factor in the movement.

Consolidated statement of Profit or Loss and Other Comprehensive Income

| | Notes | Group Year Ended | |
|---|-------|------------------|----------------|
| | | 30/06/2017 | 30/06/2016 |
| | | \$ | \$ |
| Continuing Operations | | | |
| Revenue | 2 | 2,626,617 | 2,575,684 |
| Cost of sales | | (193,992) | (311,456) |
| Doubtful debts | | (230,755) | (42,807) |
| Borrowing costs | | (11,296) | (11,442) |
| Amortisation & depreciation | | (1,738,029) | (1,211,485) |
| Option issue costs | | - | (88,250) |
| Consulting fees | | (45,706) | (55,773) |
| Corporate and administration | | (842,189) | (414,094) |
| Employee costs | | (550,777) | (336,604) |
| (Loss)/Profit before tax | | (986,127) | 103,773 |
| Income tax benefit | 3 | 452,328 | 399,901 |
| (Loss)/Profit for the year | | (533,799) | 503,674 |
| Other comprehensive income/Items that may be classified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | (17,411) | (9,104) |
| Other comprehensive income net of tax | | (17,411) | (9,104) |
| Total comprehensive (loss)/income for the year | | (551,210) | 494,570 |
| (Loss)/Profit attributable to: | | | |
| Owners of the Company | | (551,210) | 494,570 |
| Earnings per share | | | |
| From continuing and discontinued operations: | | | |
| Basic (cents per share) | 4 | (6.15) | 5.84 |
| Diluted (cents per share) | 4 | (6.15) | 5.64 |

Consolidated statement of financial position

| | Notes | Group As At | |
|----------------------------------|-------|------------------|------------------|
| | | 30/06/2017 \$ | 30/06/2016 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 1,109,972 | 1,405,660 |
| Trade and other receivables | 6 | 362,794 | 794,282 |
| Other current assets | 7 | 922,510 | 846,027 |
| Total Current Assets | | 2,395,276 | 3,045,969 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 174,061 | 168,461 |
| Intangible assets | 10 | 2,647,286 | 2,626,645 |
| Deferred tax assets | | - | 11,101 |
| Total Non-Current Assets | | 2,821,347 | 2,806,207 |
| Total Assets | | 5,216,623 | 5,852,176 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 11 | 593,906 | 423,788 |
| Provisions | | 243,050 | 242,692 |
| Current Tax Liabilities | | 311,011 | 419,464 |
| Total Current Liabilities | | 1,147,967 | 1,085,944 |
| Non-Current Liabilities | | | |
| Deferred Tax Liabilities | | 65,671 | - |
| Borrowings | | - | 115,000 |
| | | 65,671 | 115,000 |
| Total Liabilities | | 1,213,638 | 1,200,944 |
| Net Assets | | 4,002,985 | 4,651,232 |
| EQUITY | | | |
| Issued capital | 12 | 7,469,606 | 7,454,029 |
| Reserves | 13 | 446,464 | 463,875 |
| Accumulated losses | | (3,913,085) | (3,266,672) |
| Total Equity | | 4,002,985 | 4,651,232 |

Consolidated statement of changes in equity

| | Issued Capital | Accumulated Losses | Option Issue Reserve | Foreign Currency Translation Reserve | Total Equity |
|--|-------------------|-----------------------|----------------------------|---|------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| At 30 June 2015 | 7,376,993 | (3,680,183) | 395,333 | 1,134 | 4,093,277 |
| Profit attributable to members | - | 503,674 | - | - | 503,674 |
| Currency translation differences | - | - | - | (20,842) | (20,842) |
| Total comprehensive income | - | 503,674 | - | (20,842) | 482,832 |
| Transactions with owners | | | | | |
| Contributions and distributions | | | | | |
| Payment of dividends | - | (90,163) | - | - | (90,163) |
| Issue of shares (DRP scheme) | 77,036 | - | - | - | 77,036 |
| Options issued to directors | - | - | 88,250 | - | 88,250 |
| Transactions with owners | 77,036 | (90,163) | 88,250 | - | 75,123 |
| At 30 June 2016 | 7,454,029 | (3,266,672) | 483,583 | (19,708) | 4,651,232 |
| Loss attributable to members | - | (533,799) | - | - | (533,799) |
| Currency translation differences | - | - | - | (17,411) | (17,411) |
| Total comprehensive income | - | (533,799) | - | (17,411) | (551,210) |
| Transactions with owners | | | | | |
| Contributions and distributions | | | | | |
| 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) |
| At 30 June 2017 | 7,469,606 | (3,913,085) | 483,583 | (37,119) | 4,002,985 |

Consolidated statement of cash flows

| Notes | Group Year Ended | |
|--|--------------------|--------------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 3,320,767 | 2,749,329 |
| Payments to suppliers | (2,017,919) | (1,080,278) |
| Tax receipts | 406,478 | 156,776 |
| Interest payments | (11,296) | (11,442) |
| Net cash generated from / (used in) operations | 1,698,030 | 1,814,385 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (13,384) | (1,744) |
| Payment for research and development | (1,750,886) | (1,843,413) |
| Net cash provided / (used) by investing activities | (1,764,270) | (1,845,157) |
| Cash flows from financing activities | | |
| Payment of dividends | (97,037) | (90,163) |
| Repayment of borrowing | (115,000) | (35,000) |
| Proceeds from options exercised | - | 55,683 |
| Net cash provided / (used) by financing activities | (212,037) | (69,480) |
| Net increase / (decrease) in cash held | (278,277) | (100,252) |
| Cash at the beginning of the year | 1,405,660 | 1,526,754 |
| Effect of exchange rate changes | (17,411) | (20,842) |
| Cash at the end of the year | 1,109,972 | 1,405,660 |

5

For personal use only

MGM Wireless Limited
Notes to the Financial Statements for the Year Ended 30 June 2017

1. Significant Accounting Policies

Statement of Compliance

The Appendix 4E preliminary final report has been prepared in accordance with ASX listing rules and the recognition and measurement criteria of Accounting Standards and interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards.

Basis of Preparation

The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the Company's 2016 annual financial report.

2. Revenue

The following is an analysis of the Group's revenue

Revenue

Sales revenue

| Group Year Ended | |
|---------------------|------------|
| 30/06/2017 | 30/06/2016 |
| \$ | \$ |
| 2,626,617 | 2,575,684 |

3. Income Tax

3.1 Income tax benefit

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

(Loss)/ profit for the year

Prima facie tax benefit at 27.5% (2016: 30%)

Non-deductible items

Other

Research and development tax offset

Effect on deferred tax balances due to change in income tax rate from 30% to 27.5%

Previously unrecognised deferred tax assets and liabilities

Adjustments recognised in the current year in relation to the current tax of prior years

Total income tax benefit

| Group Year Ended | |
|---------------------|------------|
| 30/06/2017 | 30/06/2016 |
| \$ | \$ |
| (986,127) | 103,773 |
| (271,185) | 31,132 |
| 86,302 | 31,913 |
| (331,479) | (275,545) |
| 461 | - |
| - | (202,670) |
| 63,573 | 15,269 |
| (452,328) | (399,901) |

4. Earnings per share

Basic earnings per share

Total basic earnings per share (cents per share)

| Group Year Ended | |
|---------------------|------------|
| 30/06/2017 | 30/06/2016 |
| \$ | \$ |

| | | |
|--|--------|------|
| | (6.15) | 5.84 |
|--|--------|------|

Diluted earnings per share

Total diluted earnings per share (cents per share)

| | | |
|--|--------|------|
| | (6.15) | 5.64 |
|--|--------|------|

4.1 Basic earnings per share

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

| | | |
|--|-----------|---------|
| | (533,799) | 503,674 |
|--|-----------|---------|

Earnings used in the calculation of total basic earnings per share

| | | |
|--|-----------|---------|
| | (533,799) | 503,674 |
|--|-----------|---------|

Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)

| | | |
|--|-----------|-----------|
| | 8,682,878 | 8,625,988 |
|--|-----------|-----------|

4.2 Diluted earnings per share

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

| | | |
|--|-----------|---------|
| | (533,799) | 503,674 |
|--|-----------|---------|

Earnings used in the calculation of total diluted earnings per share

| | | |
|--|-----------|---------|
| | (533,799) | 503,674 |
|--|-----------|---------|

Weighted average number of ordinary shares for the purposes of diluted earnings per share (all measures)

| | | |
|--|-----------|-----------|
| | 8,682,878 | 8,924,746 |
|--|-----------|-----------|

5. 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:

| | Group Year Ended | |
|------------------------|---------------------|------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| Cash and bank balances | 1,109,972 | 1,405,660 |

6. Trade and Other Receivables

Current

Trade receivables
Provision for doubtful debts

| | Group Year Ended | |
|------------------------------|---------------------|----------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| Trade receivables | 549,767 | 866,330 |
| Provision for doubtful debts | (186,973) | (72,048) |
| | 362,794 | 794,282 |

7. Other Current Assets

R&D tax incentive
Prepayments

| | Group Year Ended | |
|-------------------|---------------------|----------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| R&D tax incentive | 901,224 | 826,633 |
| Prepayments | 21,286 | 19,394 |
| | 922,510 | 846,027 |

8. Other Financial Assets

| Unlisted Controlled Entity | Date of Acquisition | Country of Incorporation | Class of Shares | Cost of Parent Entity's Investment | Cost of Parent Entity's Investment |
|-------------------------------|---------------------|--------------------------|-----------------|------------------------------------|------------------------------------|
| | | | | 30/06/2017 | 30/06/2016 |
| | | | | \$ | \$ |
| MGM Wireless Holdings Pty Ltd | 8/10/2003 | 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 |
| | | | | 891,520 | 891,520 |

The equity holding in all companies is 100%

9. Plant, Equipment and Leasehold Improvements

| | Plant and Equipment \$ | Leasehold Improvements \$ | Total \$ |
|--|---------------------------------------|--|-------------------------|
| Cost | | | |
| Balance at 30 June 2015 | 310,034 | 182,607 | 492,641 |
| Additions | 11,076 | - | 11,076 |
| Balance at 30 June 2016 | <u>321,110</u> | <u>182,607</u> | <u>503,717</u> |
| Additions | 10,986 | 2,398 | 13,384 |
| Balance at 30 June 2017 | <u>332,096</u> | <u>185,005</u> | <u>517,101</u> |
| Accumulated depreciation and impairment | | | |
| Balance at 30 June 2015 | (227,064) | (82,362) | (309,426) |
| Depreciation expense | (15,780) | (10,050) | (25,830) |
| Balance at 30 June 2016 | <u>(242,844)</u> | <u>(92,412)</u> | <u>(335,256)</u> |
| Depreciation expense | (5,171) | (2,613) | (7,784) |
| Balance at 30 June 2017 | <u>(248,015)</u> | <u>(95,025)</u> | <u>(343,040)</u> |
| Written Down Value 30 June 2017 | <u>84,081</u> | <u>89,980</u> | <u>174,061</u> |

For personal use only

10. Intangible Assets

| | Group Year Ended | |
|---|---------------------|------------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| At cost | 7,976,195 | 6,225,309 |
| Accumulated amortisation and impairment | (5,328,909) | (3,598,664) |
| Carrying Value | 2,647,286 | 2,626,645 |

| | Distribution Rights | Capitalised Development Costs | Total |
|--|------------------------|-------------------------------------|------------------|
| | \$ | \$ | \$ |
| Cost | | | |
| Balance at 30 June 2015 | 441,017 | 3,984,980 | 4,425,997 |
| Additions from internal developments | - | 1,799,312 | 1,799,312 |
| 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 |
| Accumulated amortisation and impairment | | | |
| Balance at 30 June 2015 | (88,204) | (2,321,617) | (2,409,821) |
| Amortisation | (44,101) | (1,144,742) | (1,188,843) |
| 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) |
| Carrying Value | 264,610 | 2,382,676 | 2,647,286 |

11. Trade and Other Payables

| | Group Year Ended | |
|------------------------|---------------------|----------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| Trade payables | 404,665 | 220,685 |
| Indirect tax liability | 96,693 | 106,286 |
| Accrued SMS charges | 92,548 | 96,817 |
| | 593,906 | 423,788 |

12. Issued capital

| Group Year Ended | |
|---------------------|------------------|
| 30/06/2017 | 30/06/2016 |
| \$ | \$ |
| 7,469,606 | 7,454,029 |

12.1 Issued and paid up capital

Ordinary shares, fully paid

(30 June 2017: 8,691,438, 30 June 2016: 8,664,960)

| Group | |
|---------------------|---------------------|
| Number of shares | Share capital \$ |
| 8,567,414 | 7,376,993 |
| 97,546 | 77,036 |
| 8,664,960 | 7,454,029 |
| 26,478 | 15,577 |
| 8,691,438 | 7,469,606 |

12.2 Fully paid ordinary shares

Balance as at 30 June 2015

Shares issued to Directors

Balance as at 30 June 2016

Shares issued to Directors

Balance as at 30 June 2017

For personal use only

13. Reserves

| | Group Year Ended | |
|--------------------------------------|---------------------|----------------|
| | 30/06/2017 | 30/06/2016 |
| | \$ | \$ |
| Option issue reserve | 483,583 | 483,583 |
| Foreign currency translation reserve | (37,119) | (19,708) |
| | 446,464 | 463,875 |

Option issue reserve
Foreign currency translation reserve

| | Option Issue Reserve | Foreign Currency Translation Reserve |
|----------------------------------|-------------------------|---|
| Balance as at 30 June 2015 | 395,333 | 1,134 |
| Options issued | 88,250 | - |
| Options exercised | - | - |
| Currency translation differences | - | (20,842) |
| Balance as at 30 June 2016 | 483,583 | (19,708) |
| Options issued | - | - |
| Options exercised | - | - |
| Currency translation differences | - | (17,411) |
| Balance as at 30 June 2017 | 483,583 | (37,119) |

Balance as at 30 June 2015

Options issued

Options exercised

Currency translation differences

Balance as at 30 June 2016

Options issued

Options exercised

Currency translation differences

Balance as at 30 June 2017


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 is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income before accumulation in this reserve.

14. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2017, 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.



Signed: Mark Fortunatow
Director