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ASX Market Announcements  
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**ASX Release**  
**MGM Wireless Ltd**  
Wednesday, 31 August 2016

**MGM Wireless 2016 results:**

**Consolidation completed with successful roll out of next generation school mobile communication platform and improved EBITDA.**

Company well positioned for coming year.

- EBITDA up 8% to \$2.15 million
- Launch of SchoolStar places MGM at forefront of school communication products
- Revenue down 12% to \$3.4 million primarily due to overhang of SMS credits from previous year
- Net profit of \$0.50 million, down 52% primarily due to higher amortisation
- Cash at 30 June \$1.4 million
- Final dividend maintained at 1.3 cents per share

School Communication and Attendance Management provider MGM Wireless (ASX: MWR) has announced its 2016 financial results today, with the completion and launch of its next generation mobile communications mobile platforms, strong improvement in EBITDA, significant reductions in cash costs and increased revenue generating capability.

**Key results**

twelve months ended 30 June

*\$ million unless otherwise specified*

|  | 2016  | 2015  | Change |
|--|-------|-------|--------|
| <b>Sales Revenue</b>                                   | 2.51  | 3.14  | (20)%  |
| <b>Total Revenue</b>                                   | 3.40  | 3.87  | (12)%  |
| <b>EBITDA</b>  | 2.15  | 2.00  | 7 %    |
| <b>Net Profit</b>                                      | 0.50  | 1.04  | (52)%  |
| <b>Dividend per share (cents)</b>                      | 1.3   | 1.3   | -      |
| <b>EBITDA margin</b>                                   | 63%   | 52%   | + 11%  |
| <b>Net cash from operating activities</b>              | 0.35  | 0.89  | (60)%  |
| <b>Cash balance</b>                                    | 1.41  | 1.53  | (8)%   |
| <b>Net cash/(debt)</b>                                 | 1.29  | 1.38  | (6)%   |
| <b>Earnings per share (basic) cents</b>                | 5.84  | 12.16 | (52)%  |
| <b>Contracted Schools &amp; Early Learning Centres</b> | 1,265 | 1,165 | + 9%   |

The company reported net profit after tax of \$503,674 for the 12 months to 30 June, down on the

previous year's record result of \$1,041,780, due to reduced revenue and increased amortisation charges. Revenue for the year was \$3,402,316 down from \$3,867,822 primarily as a result of reduced SMS credit sales due to an overhang of unused SMS credits from the previous year.

EBITA for the year of \$2,145,176 was up 7% on the previous result of \$1,995,655, as the company more than offset the impact of lower revenue with a 35% reduction in pre-tax cash costs.

The Company has announced an unchanged final dividend of 1.3 cents per share, which will be unfranked, as franking is not available while tax paid is exceeded by refundable R&D tax offsets.

Shareholders will be eligible to participate in a dividend reinvestment scheme (refer details in Appendix 4E).

Executive Chairman Mr Mark Fortunatow said that the development and release in April of MGM SchoolStar was the most significant outcome from the year.

"Our objective this year was to release a new and advanced school communication platform with the sophisticated features, savings and analytical capabilities normally seen only in the world's leading social media and advertising products" he said.

"MGM School Star brings fundamental change to our clients and MGM Wireless. All MGM systems are now enabled with the MGM SchoolStar mobile app platform. It's broadened our service offering for schools, parents and caregivers and brought new demands for our sales, service and technical capabilities.

"The response from schools has been exceptional, and I have no doubt that the development and introduction of the SchoolStar platform will be as significant for the company as our invention of the SMS based student attendance management systems in 2002.

"With features like, message cost savings, security and engagement analytics we have a platform that we expect will drive revenue growth going forward as customer numbers, adoption of more MGM products by existing clients and SMS messaging all increase" he said.

Mr Fortunatow said the demands associated with the new product release had made for an "intensive year for MGM Wireless. The company completely funded the significant engineering and marketing efforts to launch the School Star platform as well as continuing develop and improve all other products. We aligned our cash cost structure with anticipated revenue in the past year to deliver strong EBITDA results. Furthermore, we have funded the expansion and training of our salesforce with more staff and marketing personnel to cope with interest and demand" he said.

Amongst the many new breakthrough features, SchoolStar allows schools to send personal 2-way messages to parents about their children's absence for free. For those parents who have not downloaded the SchoolStar app, or have no mobile data or Wi-Fi, the system automatically sends messages and news articles by SMS instead.

Similar to Facebook, SchoolStar also allows posting of school news, articles, event reminders, sports details, notices, pictures, videos and much more using MGM's highly secure, Australia-domiciled infrastructure. Parents, caregivers and other school community members such as Old Scholars can securely access school information through a 2-factor registration process which matches the personal detail parents provide at time of registration to the schools existing database of parents before access is provided.

Then, using Google style analytics, SchoolStar allows schools to measure, refine and improve their parent engagement efforts. Schools can see which parents are using the app, how often, when and which news articles or posts they like and read most.

Released in April, the feedback from existing users and new clients is overwhelmingly positive and enthusiastic. Customers are amazed at the capabilities SchoolStar offers, with schools also finding SchoolStar's security features particularly attractive.

## **SMS message traffic trends and revenues**

Mr Fortunatow said there were three clear trends which are driving greater uptake of mobile school communications systems and higher SMS message traffic in the school attendance and communication market.

“First, government authorities are placing greater pressure on schools to improve student attendance.

“Same-day parent notification of their child’s unexplained non-attendance is now regarded as an essential strategy to improve attendance. Mobile messaging is now widely accepted as the only reliable, fast and cost effective way to contact parents.

“Second, focus on student safety and welfare has increased. Events such as the spate of school lockdowns and bomb threats earlier this year highlighted the need for rapid, assured and verifiable communication with all parents where mobile messaging is highly effective.

“Third, the use of free in-app messaging is driving the increase in school use of mobile messaging for school news, event reminders, sport and other non-critical forms of school communication” he said.

Mr Fortunatow said that while free in-app messaging was partially displacing SMS as a delivery platform, it was actually having a positive effect on growing overall SMS based message traffic.

“Mobile industry experience shows over 60% abandonment by all consumers of all mobile apps within 7 weeks of download and install, meaning a significant proportion of parents end up without a school app – or they don’t check it on a regular basis’ he said

“Data shows in every school there is a significant cohort of about 30% or more of parents that don’t want to use a school app – preferring to receive school alerts, absence messages and news by SMS instead.

“SchoolStar surpasses these limitations in its unique capability to automatically switch from free in-app message delivery to SMS if a parent doesn’t have the app, or has no mobile data or Wi-Fi, and to also resend in-app messages that are not read using SMS instead. For this reason, we are seeing SMS traffic continue to grow” he said. “We are seeing an overall trend of 2-7% monthly SMS traffic increase compared to last year.”

### **Ongoing R&D**

The company maintained its commitment to ongoing research and development, with cash expenditure of \$1.24 million, up 16% on the previous year’s record level of \$1.07 million. “We expect this will increase again this year. The future of our business lies with ongoing innovation in our products that continue to provide cost, feature and convenience benefits as technology evolves. We are continuing our efforts in mobile and web server applications for schools and now in IoT and wearable devices” said Mr Fortunatow.

The company made its first foray into the wearables market with the AllMyTribe children’s smartwatches, family wearable devices and the AllMyTribe Internet of Things (IoT) platform in 2016. “This is an area which is embryonic but progressing. It’s clear we have an excellent, valuable IoT platform with our AllMyTribe software. We are keenly studying what type of wearable devices and which distribution options give the best opportunity for growth” he said.

Cash at 30 June was \$1.41 million, down from \$1.53 million at the beginning of the year, after reducing borrowings by 23% from \$150,000 to \$115,000 and payment of dividends to shareholders.

Mr Fortunatow said that after a focus on consolidation in 2016, the company was expecting the New Year to be a period of transition and growth, as school customers and use of all the company’s products increases

“It is an incremental rather than exponential process as growing school business sustainably takes time as you work with customers, their systems and school specific cultural issues.

“We have proven, world leading products and the skills to continue to innovative and commercialise on an ongoing basis. We are intent on growing our overall revenues by leveraging our capabilities into a wider product range and into a customer base beyond our traditional education market over the course of the year”.

**About MGM Wireless Ltd and Messageyou, LLC**

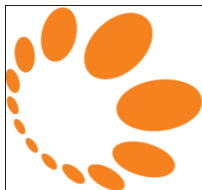
*MGM Wireless is recognized in Australia and internationally as a pioneer of socially responsible technology-enabled school communications with a proven track record to design, develop and successfully commercialise innovative world class technology products.*

*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.*

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**MGM**

Sending a message  
for safety and success

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Appendix 4E  
Preliminary Final Report  
**Under Listing Rule 4.3A**

**MGM Wireless Limited**

(ABN 93 091 351 530)

Year Ending 30 June 2016

(Previous corresponding period – Year ending 30 June 2015)

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**Appendix 4E**  
**Preliminary Final Report**

**MGM Wireless Limited**

(ABN 93 091 351 530)

Year Ending 30 June 2016

(Previous corresponding period – Year ending 30 June 2015)

Results for announcement to the market

|  |          |    |  | \$        |
|--|----------|----|--|-----------|
| Revenue from ordinary activities   | Down 12% | to |  | 3,402,316 |
| Profit/(loss) from ordinary activities after tax attributable to members | Down 53% | to |  | 503,674   |
| Net Profit/(loss) for period attributable to members                     | Down 53% | to |  | 503,674   |

**Dividends (distributions)**

|   | Amount<br>per security | Franked amount<br>per security |
|---|------------------------|--------------------------------|
| Final dividend  | 1.3¢                   | Nil¢                           |
| Previous corresponding period                         | 1.3¢                   | Nil¢                           |
| Record date for determining entitlements to dividends | 23 September 2016      |                                |
| Payment date  | 26 October 2016        |                                |

**Net tangible asset backing**

|  | 30 June 2016 | 30 June 2015 |
|--|--------------|--------------|
| Net tangible asset backing per ordinary security | \$0.24       | \$0.24       |

**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**

The DRP is in operation in respect of the final dividend. The last date for lodgement of election notices under the DRP is 26 September 2016. Shares issued under the DRP will be priced at a discount of 5% to the average of the volume of the volume weighted average price of MWR shares between 26 September and 10 October 2016.

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 2016**

The directors of MGM Wireless Ltd are pleased to report the Company's financial results for the 12 months to 30 June 2016.

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
- 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, and do not yet involve significant amounts of invested capital and are not yet financially material. The initiatives include the development of an Internet of Things (IoT) platform and developing a range of children's smartwatches and family wearable devices and other technologies and services outside the school sector.

*Overview*

The 2016 financial result essentially entails lower net earnings as a result of an 86% increase in amortisation. MGM Wireless recorded net profit before tax of \$930,405 for the twelve months, which compares with the previous year of \$1,313,997. The movement includes a \$549,924 increase in amortisation charges.

Business development saw the contracted schools and early learning centres increase to 1,265 at 30 June, 9% higher than the 1,165 at the beginning of the year.

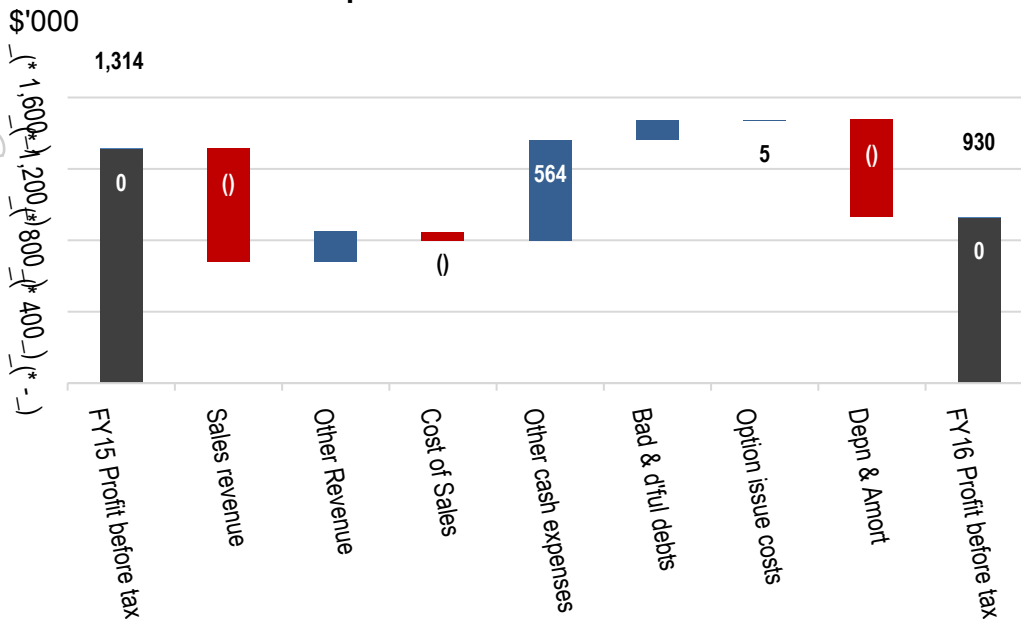
The development and release of MGM SchoolStar in April was the major business development activity for the year.

*Profit*

MGM Wireless recorded a net profit after tax of \$503,674 for the 2016 financial year which compares with \$1,041,780 in the previous year. Earnings per share (basic) were 5.84 cents compared with 12.16 cents.

EBITDA of \$2,153,332 was 8% higher than the 2015 figure of \$1,995,655. Operating margin (EBITDA/Revenue) improved significantly, rising from 52% to 63%.

Factors in movement in profit before tax FY15 to FY16



Key elements in the profit result were:

- lower revenue. Sales revenue was \$2,506,992 compared with \$3,144,119. Total revenue was \$3,402,316 compared with \$3,867,822. The movement is due to lower license fees and lower sales of SMS credits due to an overhang in the market from strong sales in the previous period.
- reduced cash expenses. Pre-tax cash expenditure items<sup>1</sup> were reduced by 31%, (\$514,402 lower) chiefly through lower employee expenditure and interest expense.
- Significantly higher amortisation charges, which rose 86%, increasing from \$638,919 to \$1,188,843. The increase in amortisation reflects the increase in capitalised research and development
- Depreciation of \$22,642, was 18% lower than the previous year's \$27,565
- Bad and doubtful debt provision was \$42,807, down from \$150,000
- Option issue costs of \$88,250, down from \$93,571.

Cash flows

MGM Wireless generated cash of \$353,969 from operating activities. Total cash movement for the year was an outflow of \$132,832 with increased research and development, payment of dividends and repayments of borrowings being the major outflow items from investing and financing activities.

Statement of financial position

The Company maintains a strong statement of financial position with net cash of \$1,290,660 after borrowings of \$115,000. Total cash balance at 30 June of \$1,405,660 was 8% lower than the opening figure of \$1,526,754.

Other significant balance sheet movements included:

- a 19% increase in intangibles which rose from \$1,663,113 to \$2,317,683, reflecting capitalisation of research and development during the period.
- a 24% increase in provision for employee entitlements which rose from \$221,611 to \$275,196 due to the stability of its workforce.
- reduction in borrowings from \$150,000 to \$115,000.

<sup>1</sup> cost of sales, interest expense, corporate and administration, consulting, and employee expenses



Total equity increased 17%, rising from \$4,093,276 to \$4,651,232.

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## Consolidated statement of profit or loss and other comprehensive income

|  | Note | Group Year Ended |                  |
|--|------|------------------|------------------|
|  |      | 30/06/2016       | 30/06/2015       |
|  |      | \$               | \$               |
| <b>Continuing Operations</b>                           |      |                  |                  |
| Revenue  | 2    | 3,402,316        | 3,867,822        |
| Cost of sales  |      | (311,456)        | (261,728)        |
| Doubtful debts   |      | (42,807)         | (150,000)        |
| Borrowing costs  |      | (11,442)         | (15,174)         |
| Amortisation & depreciation                            |      | (1,211,485)      | (666,483)        |
| Option issue costs                                     |      | (88,250)         | (93,571)         |
| Consulting fees  |      | (55,773)         | (47,655)         |
| Corporate and administration                           |      | (414,094)        | (365,963)        |
| Employee costs   |      | (336,604)        | (953,251)        |
| Profit before tax                                      |      | 930,405          | 1,313,997        |
| Income tax expense                                     | 3    | (426,731)        | (272,217)        |
| <b>Profit for the year</b>                             |      | <b>503,674</b>   | <b>1,041,780</b> |
| <b>Other comprehensive income</b>                      |      |                  |                  |
| Exchange differences on translating foreign operations |      | (11,738)         | (4,839)          |
| Other comprehensive income net of tax                  |      | (11,738)         | (4,839)          |
| <b>Total comprehensive income for the year</b>         |      | <b>491,936</b>   | <b>1,036,941</b> |
| Profit attributable to:                                |      |                  |                  |
| <b>Owners of the Company</b>                           |      | <b>503,674</b>   | <b>1,041,780</b> |
| Total comprehensive income attributable to:            |      |                  |                  |
| <b>Owners of the Company</b>                           |      | <b>491,936</b>   | <b>1,036,941</b> |
| <b>Earnings per share</b>                              |      |                  |                  |
| From continuing and discontinued operations:           |      |                  |                  |
| Basic (cents per share)                                | 4    | 5.84             | 12.16            |
| Diluted (cents per share)                              | 4    | 5.64             | 11.96            |

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**Consolidated statement of financial position**

|                                  | Note | Group As At      |                  |
|----------------------------------|------|------------------|------------------|
|                                  |      | 30/06/2016<br>\$ | 30/06/2015<br>\$ |
| <b>ASSETS</b>                    |      |                  |                  |
| Current Assets                   |      |                  |                  |
| Cash and cash equivalents        | 5    | 1,405,660        | 1,526,754        |
| Trade and other receivables      | 6    | 794,282          | 787,592          |
| Other current assets             | 7    | 846,027          | 636,264          |
| <b>Total Current Assets</b>      |      | <b>3,045,969</b> | <b>2,950,610</b> |
| Non-Current Assets               |      |                  |                  |
| Property, plant and equipment    | 9    | 168,461          | 183,214          |
| Intangible assets                | 10   | 2,626,645        | 2,016,176        |
| Deferred tax assets              |      | 11,101           | -                |
| <b>Total Non-Current Assets</b>  |      | <b>2,806,207</b> | <b>2,199,390</b> |
| <b>Total Assets</b>              |      | <b>5,852,176</b> | <b>5,150,000</b> |
| <b>LIABILITIES</b>               |      |                  |                  |
| Current Liabilities              |      |                  |                  |
| Trade and other payables         | 11   | 391,284          | 508,773          |
| Provisions                       | 13   | 275,196          | 221,611          |
| Current Tax Liabilities          |      | 419,462          | 176,339          |
| <b>Total Current Liabilities</b> |      | <b>1,085,942</b> | <b>906,723</b>   |
| Non-Current Liabilities          |      |                  |                  |
| Borrowings                       | 12   | 115,000          | 150,000          |
| <b>Total Liabilities</b>         |      | <b>1,200,942</b> | <b>1,056,723</b> |
| <b>Net Assets</b>                |      | <b>4,651,234</b> | <b>4,093,277</b> |
| <b>EQUITY</b>                    |      |                  |                  |
| Issued capital                   | 14   | 7,454,029        | 7,376,993        |
| Reserves                         | 15   | 463,877          | 396,467          |
| Accumulated losses               |      | (3,266,672)      | (3,680,183)      |
| <b>Total Equity</b>              |      | <b>4,651,234</b> | <b>4,093,277</b> |

**Consolidated statement of changes in equity**

| <b>Consolidated</b>                    | <b>Issued<br/>Capital</b> | <b>Accumulated<br/>Losses</b> | <b>Option<br/>Issue<br/>Reserve</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve</b> | <b>Total<br/>Equity</b> |
|--|---------------------------|-------------------------------|-------------------------------------|---|-------------------------|
|  | \$                        | \$                            | \$                                  | \$  | \$                      |
| <b>At 30 June 2014</b>                 | <b>7,376,993</b>          | <b>(4,627,722)</b>            | <b>301,762</b>                      | <b>5,973</b>  | <b>3,057,006</b>        |
| Profit attributable to members         | -                         | 1,041,780                     | -                                   | -   | 1,041,780               |
| Currency translation differences       | -                         | -                             | -                                   | (4,839)   | (4,839)                 |
| <b>Total comprehensive income</b>      | <b>-</b>                  | <b>1,041,780</b>              | <b>-</b>                            | <b>(4,839)</b>  | <b>1,036,941</b>        |
| <b>Transactions with owners</b>        |                           |                               |                                     |   |                         |
| <b>Contributions and distributions</b> |                           |                               |                                     |   |                         |
| Payment of dividends                   | -                         | (94,241)                      | -                                   | -   | (94,241)                |
| Options issued to directors            | -                         | -                             | 93,571                              | -   | 93,571                  |
| Transactions with owners               | -                         | (94,241)                      | 93,571                              | -   | (670)                   |
| <b>At 30 June 2015</b>                 | <b>7,376,993</b>          | <b>(3,680,183)</b>            | <b>395,333</b>                      | <b>1,134</b>  | <b>4,093,277</b>        |
| Profit attributable to members         | -                         | 503,674                       | -                                   | -   | 503,674                 |
| Currency translation differences       | -                         | -                             | -                                   | (11,738)  | (11,738)                |
| <b>Total comprehensive income</b>      | <b>-</b>                  | <b>503,674</b>                | <b>-</b>                            | <b>(11,738)</b>   | <b>491,936</b>          |
| <b>Transactions with owners</b>        |                           |                               |                                     |   |                         |
| <b>Contributions and distributions</b> |                           |                               |                                     |   |                         |
| Payment of dividends                   | -                         | (90,163)                      | -                                   | -   | (90,163)                |
| Shares issued to directors             | 77,036                    | -                             | -                                   | -   | 77,036                  |
| Options issued to directors            | -                         | -                             | 79,148                              | -   | 79,148                  |
| Transactions with owners               | 77,036                    | (90,163)                      | 79,148                              | -   | 66,021                  |
| <b>At 30 June 2016</b>                 | <b>7,454,029</b>          | <b>(3,266,672)</b>            | <b>474,481</b>                      | <b>(10,604)</b>   | <b>4,651,234</b>        |

**Consolidated statement of cash flows**

|  | Note | Group Year Ended |                    |
|--|------|------------------|--------------------|
|  |      | 30/06/2016       | 30/06/2015         |
|  |      | \$               | \$                 |
| <b>Cash flows from operating activities</b>        |      |                  |                    |
| Receipts from customers                            |      | 2,488,531        | 2,993,040          |
| Payments to suppliers                              |      | (2,161,201)      | (1,783,437)        |
| Tax payments                                       |      | (669,857)        | (306,490)          |
| Receipts from grants                               |      | 826,633          | 710,623            |
| Interest payments                                  |      | (11,442)         | (15,174)           |
| Net cash generated from / (used in) operations     |      | <b>472,664</b>   | <b>1,598,562</b>   |
| <b>Cash flows from investing activities</b>        |      |                  |                    |
| Payments for plant and equipment                   |      | (1,744)          | (24,571)           |
| Payment for research and development               |      | (534,272)        | (1,069,569)        |
| Net cash provided / (used) by investing activities |      | <b>(536,016)</b> | <b>(1,094,140)</b> |
| <b>Cash flows from financing activities</b>        |      |                  |                    |
| Payment of dividends                               |      | (90,163)         | (94,241)           |
| Repayment of borrowing                             |      | (35,000)         | (50,000)           |
| Proceeds from the issue of shares                  |      | -                | 93,571             |
| Proceeds from options exercised                    |      | 55,683           | -                  |
| Net cash provided / (used) by financing activities |      | <b>(69,480)</b>  | <b>(50,670)</b>    |
| Net increase / decrease in cash held               |      | <b>(132,832)</b> | <b>453,752</b>     |
| Cash at the beginning of the year                  |      | <b>1,526,754</b> | <b>1,077,840</b>   |
| Effect of exchange rate changes                    |      | 11,738           | (4,838)            |
| <b>Cash at the end of the year</b>                 | 6    | <b>1,405,660</b> | <b>1,526,754</b>   |

**Notes to the Financial Statements for the Year Ended 30 June 2016**

**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 2015 annual financial report.

**2. Revenue**

The following is an analysis of the Group's revenue for the year.

**Revenue**

Sales revenue

R&D tax incentive revenue

Total revenue

| Group<br>Year Ended |                  |
|---------------------|------------------|
| 30/06/2016          | 30/06/2015       |
| \$                  | \$               |
| 2,575,683           | 3,157,199        |
| 826,633             | 710,623          |
| <b>3,402,316</b>    | <b>3,867,822</b> |

**3. Income Tax**

**3.1 Income tax expense**

The income tax expense for the year differs from the prima facie tax as follows:

Profit / loss for the year

Prima facie tax benefit at 30% (2015: 30%)

Non-assessable items

Non-deductible items

Utilisation of tax losses

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

Total income tax expense

| Group<br>Year Ended |                |
|---------------------|----------------|
| 30/06/2016          | 30/06/2015     |
| \$                  | \$             |
| 930,405             | 1,313,997      |
| 279,122             | 394,199        |
| (245,543)           | (214,107)      |
| 383,654             | 344,691        |
| (11,101)            | (275,816)      |
| <b>20,599</b>       | <b>23,250</b>  |
| <b>426,731</b>      | <b>272,217</b> |

Group

|   | Year Ended  |              |
|---|-------------|--------------|
|   | 30/06/2016  | 30/06/2015   |
|   | \$          | \$           |
| <b>4. Earnings per share</b>  |             |              |
| <b>Basic earnings per share</b>   |             |              |
| From continuing operations (cents per share)  | 5.84        | 12.16        |
| From discontinued operations (cents per share)  | -           | -            |
| <b>Total basic earnings per share (cents per share)</b>   | <b>5.84</b> | <b>12.16</b> |
| <b>Diluted earnings per share</b>   |             |              |
| From continuing operations (cents per share)  | 5.64        | 11.96        |
| From discontinued operations (cents per share)  | -           | -            |
| <b>Total diluted earnings per share (cents per share)</b>   | <b>5.64</b> | <b>11.96</b> |
| <b>4.1 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 profit / (loss) for the year attributable to owners of the Company  | 503,674     | 1,041,780    |
| Earnings used in the calculation of total basic earnings per share  | 503,674     | 1,041,780    |
| Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations | -           | -            |
| Earnings used in the calculation of basic earnings per share from continuing operations   | 503,674     | 1,041,780    |
| Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)                            | 8,625,988   | 8,567,414    |

**Group**  
**Year Ended**

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**Appendix 4E**  
**Preliminary final report**  
**Year ending 30 June 2016**

|   | 30/06/2016 | 30/06/2015 |
|---|------------|------------|
|   | \$         | \$         |
| <b>4.2 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 profit / (loss) for the year attributable to owners of the Company  | 503,674    | 1,041,780  |
| Earnings used in the calculation of total diluted earnings per share  | 503,674    | 1,041,780  |
| Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations | -          | -          |
| Earnings used in the calculation of diluted earnings per share from continuing operations   | 503,674    | 1,041,780  |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share (all measures)                            | 8,924,746  | 8,794,623  |

**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<br>Year Ended |            |
|------------------------|---------------------|------------|
|                        | 30/06/2016          | 30/06/2015 |
|                        | \$                  | \$         |
| Cash and bank balances | 1,405,660           | 1,526,754  |

**6. Trade and Other Receivables**

**Current**

|                              | Group<br>Year Ended |            |
|------------------------------|---------------------|------------|
|                              | 30/06/2016          | 30/06/2015 |
|                              | \$                  | \$         |
| Trade receivables            | 1,008,384           | 957,179    |
| Provision for doubtful debts | (214,102)           | (169,587)  |
|                              | 794,282             | 787,592    |

**7. Other Current Assets**

|                   | Group<br>Year Ended |            |
|-------------------|---------------------|------------|
|                   | 30/06/2016          | 30/06/2015 |
|                   | \$                  | \$         |
| R&D tax incentive | 826,633             | 623,301    |
| Prepayments       | 19,394              | 12,963     |
|                   | 846,027             | 636,264    |

**8. Other Financial Assets**

| Cost of<br>Parent | Cost of<br>Parent |
|-------------------|-------------------|
|-------------------|-------------------|

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**Appendix 4E**  
**Preliminary final report**  
**Year ending 30 June 2016**

| Unlisted Controlled Entity    | Date of Acquisition | Country of Incorporation | Class of Shares | Entity's Investment<br>30/06/2016<br>\$ | Entity's Investment<br>30/06/2015<br>\$ |
|-------------------------------|---------------------|--------------------------|-----------------|---|---|
| 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                                      |
|                               |                     |                          |                 | <b>891,520</b>                          | <b>891,520</b>                          |

The equity holding in all companies is 100%

**9. Plant, Equipment and Leasehold Improvements**

|  | Plant and<br>Equipment<br>\$ | Leasehold<br>Improvements<br>\$ | Total<br>\$ |
|--|------------------------------|---------------------------------|-------------|
| <b>Cost</b>                                    |                              |                                 |             |
| Balance at 30 June 2014                        | 437,006                      | 182,607                         | 619,613     |
| Additions                                      | 24,571                       | -                               | 24,571      |
| Transfer to Intangible Assets                  | (151,543)                    | -                               | (151,543)   |
| Balance at 30 June 2015                        | 310,034                      | 182,607                         | 492,641     |
| Additions                                      | 11,076                       | -                               | 11,076      |
| Balance at 30 June 2016                        | 321,110                      | 182,607                         | 503,717     |
| <b>Accumulated depreciation and impairment</b> |                              |                                 |             |
| Balance at 30 June 2014                        | (346,904)                    | (71,224)                        | (418,128)   |
| Transfer to Intangible Assets                  | 136,828                      | -                               | 136,828     |
| Amortisation/Depreciation expense              | (16,988)                     | (11,138)                        | (28,127)    |
| Balance at 30 June 2015                        | (227,064)                    | (82,362)                        | (309,427)   |
| Amortisation/Depreciation expense              | (15,780)                     | (10,049)                        | (25,829)    |
| Balance at 30 June 2016                        | (242,844)                    | (92,411)                        | (335,256)   |
| Written Down Value                             | 78,266                       | 90,196                          | 168,461     |

**10. Intangible Assets**

| Group<br>Year Ended |            |
|---------------------|------------|
| 30/06/2016          | 30/06/2015 |
| \$                  | \$         |
|                     |            |

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**Appendix 4E**  
**Preliminary final report**  
**Year ending 30 June 2016**

|   |                  |                  |
|---|------------------|------------------|
| At cost                                 | 6,225,309        | 4,425,997        |
| Accumulated amortisation and impairment | (3,598,664)      | (2,409,821)      |
| Carrying Value                          | <u>2,626,645</u> | <u>2,016,176</u> |

|  | Distribution<br>Rights<br>\$ | Capitalised<br>Development<br>Costs<br>\$ | Total<br>\$        |
|--|------------------------------|---|--------------------|
| <b>Cost</b>                                    |                              |   |                    |
| Balance at 30 June 2014                        | 441,017                      | 2,764,076                                 | 3,205,093          |
| Additions from internal developments           | -                            | 1,069,361                                 | 1,069,361          |
| Transfer from Plant & Equipment                | -                            | 151,543                                   | 151,543            |
| Balance at 30 June 2015                        | <u>441,017</u>               | <u>3,984,980</u>                          | <u>4,425,997</u>   |
| Additions from internal developments           | -                            | 1,799,312                                 | 1,799,312          |
| Balance at 30 June 2016                        | <u>441,017</u>               | <u>5,784,292</u>                          | <u>6,225,309</u>   |
| <b>Accumulated amortisation and impairment</b> |                              |   |                    |
| Balance at 30 June 2014                        | (44,102)                     | (1,590,535)                               | (1,634,637)        |
| Amortisation                                   | (44,102)                     | (594,254)                                 | (638,356)          |
| Transfer from Plant & Equipment                | -                            | (136,828)                                 | (136,828)          |
| Balance at 30 June 2015                        | <u>(88,204)</u>              | <u>(2,321,617)</u>                        | <u>(2,409,821)</u> |
| Amortisation                                   | (44,101)                     | (1,144,742)                               | (1,188,843)        |
| Balance at 30 June 2016                        | <u>(132,305)</u>             | <u>(3,466,359)</u>                        | <u>(3,598,664)</u> |
| Carrying Value                                 | <u>308,712</u>               | <u>2,317,933</u>                          | <u>2,626,645</u>   |

**11. Trade and Other Payables**

| Group<br>Year Ended |            |
|---------------------|------------|
| 30/06/2016          | 30/06/2015 |
| \$                  | \$         |
|                     |            |

**Appendix 4E**  
**Preliminary final report**  
**Year ending 30 June 2016**

|                        |                |                |
|------------------------|----------------|----------------|
| Trade payables         | 228,929        | 233,884        |
| Indirect tax liability | 106,286        | 182,710        |
| Accrued SMS charges    | 56,069         | 78,713         |
| Rent Incentive         | -              | 13,466         |
|                        | <b>391,284</b> | <b>508,773</b> |

**12. Borrowings**

**Non - Current**

Unsecured loans from related parties

| Group<br>Year Ended |            |
|---------------------|------------|
| 30/06/2016          | 30/06/2015 |
| \$                  | \$         |
| 115,000             | 150,000    |

**13. Provisions**

**Current**

Employee benefits

Movement in provisions:

Opening

Amounts provided

Amounts used

Closing balance

| Group<br>Year Ended |                |
|---------------------|----------------|
| 30/06/2016          | 30/06/2015     |
| \$                  | \$             |
| 275,196             | 221,611        |
| 221,611             | 190,301        |
| 146,014             | 31,310         |
| (92,429)            | -              |
| <b>275,196</b>      | <b>221,611</b> |

**14. Issued capital**

**14.1 Issued and paid up capital**

Ordinary shares, fully paid

(30 June 2016: 8,664,960, 30 June 2015: 8,567,414)

| Group<br>Year Ended |            |
|---------------------|------------|
| 30/06/2016          | 30/06/2015 |
| \$                  | \$         |
| 7,454,029           | 7,376,993  |

**14.2 Fully paid ordinary shares**

Balance as at 30 June 2014

Shares issued during the year

Balance as at 30 June 2015

Shares issued to Directors

Balance as at 30 June 2016

| Group               |                      |
|---------------------|----------------------|
| Number of<br>shares | Issued<br>capital \$ |
| 8,567,414           | 7,276,993            |
| -                   | -                    |
| 8,567,414           | 7,276,993            |
| 97,546              | 77,036               |
| <b>8,664,960</b>    | <b>7,454,029</b>     |

**15. Reserves**

| Group<br>Year Ended |            |
|---------------------|------------|
| 30/06/2016          | 30/06/2015 |
| \$                  | \$         |

|                                      |                             |   |
|--------------------------------------|-----------------------------|---|
| Option issue reserve                 | 474,481                     | 395,333                                     |
| Foreign currency translation reserve | (10,604)                    | 1,134                                       |
|                                      | <b>463,877</b>              | <b>396,467</b>                              |
|                                      | <b>Option Issue Reserve</b> | <b>Foreign Currency Translation Reserve</b> |
| Balance as at 30 June 2014           | 301,762                     | 5,973                                       |
| Options issued                       | 93,571                      | -   |
| Currency translation differences     | -                           | (4,839)                                     |
| Balance as at 30 June 2015           | 395,333                     | 1,134                                       |
| Options issued                       | 79,148                      | -   |
| Currency translation differences     | -                           | (11,738)                                    |
| Balance as at 30 June 2016           | <b>474,481</b>              | <b>(10,604)</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 is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income before accumulation in this reserve.

**16. Subsequent Events**

There has not been any matter or circumstance that has arisen since 30 June 2016, 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