2017 Annual Report

MGM Wireless Limited (ASX:MWR)

MGM Wireless Ltd.
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2017 ANNUAL REPORT

September 28, 2017

MGM Wireless is pleased to release its Annual Report for the 2017 Financial Year.

Justin Nelson
Company Secretary

About MGM Wireless Limited (ASX:MWR)

MGM Wireless Limited (ASX:MWR) is a technology company designing, developing and commercialising Internet of Things (IoT) devices for children, and software for school communication and student absence management. The Company's AllMyTribe division has developed a wearable device called Spacetalk which allows two-way 3G communication and GPS tracking, alerting parents whenever children leave designated safe spaces such as school or the home.

MGM Wireless built its track record with school communication solutions after creating the world's first SMS based Automated Student Absence Notification Solution. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communications. Used by over 1,100 schools and 1.6 million parents, the Company's multichannel school communication solutions empower schools to effectively communicate to parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increasing parent engagement.

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'.

For further information contact

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ANNUAL REPORT INDEX

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am pleased to present your Company's 2017 annual report. MGM Wireless delivered a strong result with sales revenue of $2.62 million, increasing 4% on the previous year. While gross profit growth was impacted by an increase in expenses, these expenses were attributable to ongoing investment in the research and development of our breakthrough wearable device, 'Spacetalk', paving the way for an exciting new chapter for MGM Wireless.

The Passing of MGM Co-Founder Mark Hurd

I am very saddened to report the passing of MGM's co-founder, director and Chief Technology Officer Mark Hurd. I first met Mark in December 1998 at a time when we were both passionate about the exciting and emerging field of mobile phones.

Mark was a genius in software technology. A long time and active member of Mensa, Mark was also a distinguished graduate of Adelaide University, an expert advisor to many leading software companies like Microsoft and others, as well as a mentor to many aspriring Computer Scientists and University students in Australia and internationaly.

At MGM he personaly developed all our early products including messageyou and our SMS Centre. To this day, messageyou remains a brilliant, highly competitive flagship product of the Company.

Mark contributed so much to MGM and is sorely missed. Whilst not actively involved in the day-to-day operations of the company for over four years, and especially over the past 18 months during his illness, Mark created a foundation for our team of highly trained and experienced software engineers.

Mark bequested the majority of his shares in MGM Wireless to Adelaide University and his former school, Westminster College, to serve as an onging fund to assist promising students in the field of Computer Science who are in need of financial support to complete their studies.

2017 Annual Report

MGM Wireless was primarily focused on the research, design and commercialisation of our new wearable technology in the 2017 financial year. While our school communications business continues to perform solidly and we expect growth in the years to come, we also believe that our expansion into the fast-growing Internet of Things (IoT) and wearables sector will be an important source of future revenue for the Company.

By building on our core expertise in student attendance management and communication, our objective this year was to create Spacetalk, a ground-breaking wearable device for children. I am pleased to report that we have already achieved a successful first production run of Spacetalk and anticipate commencing sales in early October 2017.

Supporting the investment in Spacetalk, MGM won a major contract with the Queensland Department of Education in November 2016 which resulted in a 6% increase in the number of schools using our innovative solutions. The first half of the 2017 financial year was also our first reporting period with our new in-app messaging, school news and parent engagement platform SchoolStar, which was very well received.

Looking forward, we have just secured an agreement with the Western Australian Education Department – the largest in MGM's history – which has the potential to result in revenue growth in the coming years.

Overall, we have closed the year with an increased customer base and larger product offering; we are on the verge of releasing Spacetalk, which we believe will be a game changer for the Company.

Financial Results

Over the last financial year MGM strategically increased research and development and promotional spending as the Company moved closer to the commericalisation of Spacetalk.

The business has performed solidly with regards to sales, our customer base and gross profit, funding all the investment and costs associated with developing Spacetalk and improving our existing products, paying down our borrowings to zero, and still completing the year with a cash balance of $1.1 million.

The financial result was generated from sales revenue increasing 4% and a total revenue of $2.6 million, up 2% on the previous year. Gross profit also rose by 9% to $2.3 million.

MGM recorded a net loss after tax of $0.53 million primarily due to the non cash effect of adoption of a less aggressive treatment of capitalisation of research and development expenditure which impacted expenses relative to the previous year. Some corporate and administration costs were also incurred in research and development that were formerly capitalised.

The Company funded all investment and costs associated with the development and release of Spacetalk and the AllMyTribe platform from cashflow generated from its operations.

Cash and balance sheet

From the beginning, MGM has been a Company committed to innovation. In 2017, the Company's research and development program led to a decrease in cash balance to $1.1 million, down from $1.4 million in 2016.

The increase in research and development spending was the major factor in the small total cash outflow over the year. Nonetheless, our balance sheet is healthy with a substantial net cash balance.

Cash balances were $1,109,972 at 30 June 2017. Borrowings were reduced 100% to $0, compared with $115,000 at 30 June 2016.

Dividend

Your Company has a record of profit, cash generation and sharing its earnings with shareholders through the payment of dividends. However, this year due to the impending launch of our new Spacetalk wearable and IoT business which has the potential to transform the Company, the Board has decided it's prudent not to make a dividend distribution to shareholders.

Review of Operations

MGM currently delivers revenue and income through the provision of technology solutions that assist schools to improve communication with their communities and provide cost-effective management and improvement of student attendance and engagement. As we look to the future, we see the release and commercialistion of Spacetalk as a future driver for revenue growth. In addition, we have just finalised an agreement - the largest in the Company's history - with the Western Australian Education Department.

The majority of MGM's growth in 2017 was recorded in Queensland after the Company was selected as an approved supplier of absence management and parent notification systems by the Queensland Department of Education.

2017's operational highlights also include the formation of a new business called Statesman Institute, a disruptive public affairs consultancy service which has already acquired high-profile clients. Although the capital invested in Statesman Institute and its revenue generation are not material at this stage, MGM anticipates further growth in this division.

Spacetalk

MGM began its foray into the wearables market in 2015, when the development of new devices such as smartwatches offered convergence with MGM's existing child safety product, MGM PinPoint. Since then, PinPoint has been reengineered into the AllMyTribe wearables platform, which in turn has been integrated into our innovative new product, Spacetalk.

Spacetalk is the first Australian and one of the first worldwide 3G smartwatch and GPS trackers designed specifically for children. Spacetalk allows parents and children to be in constant contact via two-way 3G communication and is able to alert parents whenever children leave designated "safe spaces" such as school or home.

In August, we gave you, the shareholders, access to an Entitlement Offer, the proceeds of which will be used to promote the sales of Spacetalk and pay for its first manufacturing run. I would like to take this opportunity to personally thank those of you who supported the upcoming launch of Spacetalk by accepting the Offer.

We have already completed our first production run of Spacetalk, and we are in the midst of intensifying our promotional efforts. We are working with marketing, digital marketing and social media companies in order to boost sales of Spacetalk and believe it will be a big hit with consumers. Online sales of the device are anticipated to commence in October 2017 through the Company's own website, with wider retail distribution targeted in time for the peak Christmas and back to school retail sales period.

Historic Agreement with Western Australian Government

As we are looking forward, I'd also like to tell you more about the agreement we have just secured with the Western Australian Education Department. In September, MGM secured the largest agreement in its history, encompassing the rollout of MGM's Outreach+ and School-Star App communication services to all Western Australian government schools.

MGM's School-Star is a modern school app which resembles social media apps such as Facebook but is more secure in that it allows only registered parents and caregivers access. Outreach+ is fully integrated with SchoolStar's ability to send messages using low-cost two-way in-app messaging which automatically switches over to SMS if the user has no internet connection.

We believe the agreement with the Western Australian Government will lead to more government schools taking up MGM services in that state. We have already had strong interest from schools not currently using our services and expect the additional income derived from increased in-app message traffic to have a positive effect on MGM's revenue in 2018.

Concluding Comments

MGM first saw the capabilities of mobile phone technology in 2002 when we developed the world's first SMS-based attendance management system designed specifically for the needs of schools.

Over the past 15 years, the Company has built a profitable, self-funding business which remains the undisputed leader in its field, both in products and market share.

MGM is also committed to innovation and is excited about the impending release of Spacetalk, our groundbreaking new wearable device, which we expect to ignite a new phase of growth for the Company.

The development and release of Spacetalk is the latest example of how our focus in 2018 will be on selling this new device, bolstering the AllMyTribe platform and capitalising on the growth opportunity these initiatives offer the Company and our shareholders.

MGM's future relies on developing solutions that provide cost, feature and convenience benefits for an ever-changing technological landscape. Our investment in research and development reached an all-time high in 2017 as we sought to innovate in the realm of IoT devices. Spacetalk is the result of this research and I am extremely proud of the finished product.

On behalf of my fellow directors, I would like to thank the whole team at MGM for their efforts in a demanding but rewarding year and all our shareholders for their continued support. I wish you all well for the new financial year.

Mark Fortunatow

Co-Founder, Chairman, CEO

MGM Wireless Background

MGM Wireless is constantly improving its product range by extending the capabilities of existing products and regularly launching new products.

School Communication Products

messageyou

Our flagship student absence notification product, messageyou combines an established best practice Student Attendance Management approach to SMS with automation to enhance school business processes. messageyou™ integrates directly with all existing Student Management Systems.

MGMOutReach+

Outreach™ is a school specific specialised web based SMS social communication solution that allows School Leaders to securely and easily communicate to Parents and the School Community. OutReach™ is well suited to sending:

- School Event Reminders
- Sport Fixtures
- Late Breaking News
- Emergency Notifications

MGMWatchLists

MGM WatchLists™ automates the analysis of Parent reply messages, message traffic and the status of attendance data to detect emerging patterns or trends and automatically alert School Leaders responsibile for follow-up action.

SCHOOL STAR MGM

A school news and messaging app, SchoolStar is a secure, and engaging mobile app for School News, Alerts, Absence Messaging, Event Reminders, Notices, Calendars and much more. A unique feature is SchoolStar's ability to send in-app 2 way secure messages with auto switchover to SMS when parents have no internet access or haven't downloaded the app. This ensures schools can always reach all parents.

MGMRollMarker

RollMarker manages student attendance in the easiest, most cost effective way possible by using the latest in software technology – the cloud and smartphones. RollMarker is gaining a reputation as being the most powerful, flexible yet easiest to use student attendance management solution in Australia.

MGMsmartsync

Using the most advanced internet security technology, Smartsync™ automatically extracts parent contact data from most leading student management systems and securely updates MGM's cloud-based Outreach™ system

Wearables and IoT Prodcuts

ALL MY TRIBE

AllMyTribe is a mobile family locator and child safety app and platform. It helps people stay connected and operates the Spacetalk children's wearable IoT device.

Children and parents stay connected at the touch of button, swipe, tap or click.

AllMyTribe also shows the location of children wearing the Spacetalk watch, configures Safe Contact lists, Safe Zones, Alerts and other safety features of the Spacetalk watch.

SPACETALK

Believed to be the world's first 3G children's smartwatch phone and operated through the AllMyTribe app on the parent's phone, children and carers have access to engaging smartwatch features such as:

- 2 way, 3G voice calls and SMS messaging, with capability for parents to restrict access to approved 'safe' contacts;
- parent/carer step counter activity monitoring;
- GPS and Wifi location tracking and history; and
- safe zone setup capability; i.e. capability to advise carers when their child arrives or leaves a designated safe location.

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	Grant Thornton Audit Pty Ltd Level 3, 170 Frome Street Adelaide SA 5000 Telephone: (08) 8372 6666 Facsimile: (08) 8372 6677
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 2017. 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

MARK EDWIN HURD - ceased 31 August 2017

TARA RACQUEL LEWIS-CHRISTIE – resigned 9 June 2017

LEILA ISABEL HENDERSON

GLEN BUTLER – appointed 31 August 2017

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 30 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 he held positions with Logica and Coopers & Lybrand (now Pricewaterhousecoopers) and carried out numerous academic research projects.

Under Mark's tutelage, the Company's 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.

TARA LEWIS-CHRISTIE

EXECUTIVE DIRECTOR – resigned 9 June 2017

Ms Lewis-Christie was Chief Operating Officer of MGM Wireless Holdings Pty Ltd up until 9 June 2017.

With formal qualifications in Financial Management, she commenced her career with the Company in 2010 as Assistant to the CFO, progressing to Company Accountant.

She has also held a variety of other key senior management positions at the Company including Client Management, Inside Sales and Product Development.

Prior to MGM Wireless Holdings Pty Ltd, Ms Lewis-Christie held management positions in the tourism, hospitality and food sectors.

Early in her career, she founded and operated a successful bookkeeping business in Broken Hill for local companies, resulting in her winning the prestigious town award for Business Person of the Year, 2009 – People's Choice Award.

Ms Lewis-Christie has been a director since 26 February 2014 and resigned on 9 June 2017. She has held no other directorships.

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 Kondotto) 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

INTERIM 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), GradDipACG

Mr Nelson has extensive experience in the listed Company environment through his former role as the ASX's SA State Manager and Manager Listings (Adelaide); roles he held until the Adelaide ASX offices were consolidated nationally in March 2012.

An expert in corporate governance procedures, ASX Listing Rules and Company meeting practice, Mr Nelson has been a presenter on corporate governance topics for the Governance Institute of Australia, the leading independent authority on best practice in board and organisational governance and risk management.

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:

DIRECTOR	ORDINARY FULLY-PAID SHARES	OPTIONS – EXP 30 APRIL 2018 EXERCISE PRICE $1.25	OPTIONS – EXP 30 APRIL 2020 EXERCISE PRICE $1.40
Mark Fortunatow	1,322,485	170,000	170,000
Leila Henderson	-	10,000	10,000
Glen Butler	-	-	-

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 directors' report on pages 27 to 34.

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

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.

Operating Results

The amount of the total comprehensive loss attributable to members of the Company after income tax was $551,210 (2016: profit of $494,570).

Review of Operations

During the year ended 30 June 2017, the Company continued its initiatives to underpin accelerated growth in the medium and long term. Specifically, spending on research and development was significant at $2.07million (2016: $1.83 million) and there was continued high investment in the Company's sales and marketing capability. Research and development spending was directed at both existing products, to ensure that they are able to sustain their position as market leaders, and new products which will open new avenues for revenue generation.

The Board has performed an assessment of the useful life of its product base (which is comprised of capitalised R&D). In the current year, the Company has capitalised $1.75 million of the total of its $2.07 million of claimable R&D expenditure, and has assessed the useful lives of the associated products to be three years. As such, the Company plans to amortise this amount over a three-year period. Offsetting part of this effect was an amortisation charge of $44K to Distribution Rights, currently being recorded at a value of $264,610. The Company plans to amortise the full amount over its 10-year useful life.

1. Revenue for the full year was 2% higher at $2,626,617 (2016: $2,575,684)
2. Net profit 205% decrease to a loss of $533,799 (2016: profit $503,674)
3. EBITDA profit 43% decrease to $763,198 (2016: $1,326,700)
4. Customer base of operational schools grew by 9% to a total of 1,061 schools (2016: 973).

Statement of Financial Position

The Company's shareholder equity reduced from $4,651,232 as at 30 June 2016 to $4,002,985 as at 30 June 2017.

Total assets were 11% lower than a year earlier at $5,216,623 as at 30 June 2017 primarily due to lower working capital and a decrease in cash.

Total current liabilities were 6% higher than a year earlier with $1,147,967 as at 30 June 2017 which included $92,548 accrued SMS charges and trade payables of $404,665. Borrowings (from Directors) were fully repaid during the year.

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

On 30 August 2017, MGM Wireless Limited announced a 1 for 8 non-renounceable Entitlement offer of ordinary shares in the Company at an issue price of $0.35 per share. The Entitlement offer seeks to raise approximatley $380,000, through the issue of up to approximately 1,086,430 new fully paid ordinary shares in the Company on the basis of 1 new share for every 8 existing shares held by eligible shareholders on 4 September 2017.

The entitlement offer is partially underwritten by I-Holdings Pty Ltd as trustee for the Fortunatow Family Super Fund to a maximum of 350,000 shares (32.2% of the Rights Issue). The underwritter is an existing sharholder of the Company and is also an entity associated with Mr Mark Fortunatow, the Executive Chairman of the Company.

The Entitlement Offer closed on the 26 September 2017, with under subscriptions notified on 29 September 2017 and new shares to be issued on 3 October 2017.

The proceeds of the Entitlement Offer will be used to increase the funds currently available for the launch related activities to promote sales of the first manufacturing run of the 'Spacetalk' children's 3G GPS smartwatch/phones, which the Company has developed for sale with its AllMyTribe family locator, child safety app and server platform.

On September 21st, 2017 the company annunced a new agreement secured with the Western Australian Education Department. The largest agreement in the Company's history encompasses the rollout of MGM's Outreach+ and School Star App to all Western Australian government schools. The agreement will lead to more government schools taking up MGM services in that state. The company expects additional income derived from increased in-app message traffic to have a positive effect on MGM's revenue in 2018.

Except as disclosed above, 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.

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 2017 financial year.

A dividend of $0.013 per share was paid in respect of the 2016 financial year on 26 October 2016.

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:

ISSUING ENTITY	Number of Shares Under Option	Class of Shares	Exercise Price of Options	Expiry Date of Options
MGM Wireless Ltd	30,000	Ordinary	$1.10	27/08/2018
MGM Wireless Ltd	230,000	Ordinary	$1.25	30/04/2018
MGM Wireless Ltd	240,000	Ordinary	$1.40	30/04/2020
	500,000			

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.

280,000 ordinary shares under option exercisable at $1.60 expired during the year (2016: nil).

No shares were issued during or since the end of the financial year as a result of the exercise of options (2016: 80,000 shares).

Meetings of Directors

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

DIRECTOR	Number of Meetings Held whilst in office	Number of meetings Attended
M Fortunatow	4	4
M Hurd	4	2
T Lewis-Christie	4	4
Leila Henderson	4	4

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 2017 is dated as at 28 September 2017 and was approved by the Board on 28 September 2017. The Corporate Governance Statement is available on MGM Wireless Limited's website at 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 27 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 2017 has been received and is included on page 40.

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 2016 AGM and passed by 84.7% of votes cast is set out below. No consultant 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 particpation 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
Tara Lewis-Christie Director (executive) – resigned 7 June 2017
Leila Henderson Director (non-executive)

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

	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013	30/06/2012
Revenue	2,626,617	2,575,684	3,157,199	2,695,473	2,381,143	2,605,719
Net profit/(loss) before tax	(986,127)	103,773	603,374	397,066	58,827	602,756
Net profit/(loss) after tax	(533,799)	503,674	1,041,780	717,541	657,835	602,756
	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013	30/06/2012
Share price at start of year	0.65	1.70	1.05	0.85	0.35	0.01
Share price at end of year	0.49	0.65	1.70	1.05	0.85	0.35
Interim dividend	-	-	-	-	-	-
Final dividend	-	0.01	0.01	-	0.01	-
Basic earnings/(loss) cents per share	(6.15)	5.84	12.16	8.49	8.49	-
Diluted earnings/(loss) cents per share	(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 2017	Mark Fortunatow	Mark Hurd	Tara Lewis-Christie	Leila Henderson
Short term - Salary & Fees	383,635	41,630	142,997	15,000
Post employment - Superannuation	35,875	2,173	11,195	-
Termination Benefits	-	-	47,465	-
Share-based - Options	-	-	-	-
Share-based - Shares	-	-	-	-
Total	419,510	43,803	201,657	15,000
% of remuneration share-based	0%	0%	0%	0%
2016				
Short term - Salary & Fees	375,027	27,040	132,177	18,000
Post employment - Superannuation	35,275	2,569	11,754	-
Share-based - Options	62,510	18,385	3,677	3,677
Share-based - Shares	-	-	-	-
Total	472,812	47,994	147,608	21,677
% of remuneration share-based	13%	38%	2%	17%

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 were no options issued during the financial year.

The weighted average share price during the year was $0.622 (2016: $1.1390).

The average remaining contractual life of options outstanding at the end of the financial year was 1.88 years (2016: 2.17).

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	07-11-13	30-04-17	$0.32	lapsed
Mark Fortunatow	17-12-14	30-04-18	$0.40	Vests at date of grant
Mark Fortunatow	07-12-15	30-04-20	$0.37	Vests at date of grant
Mark Hurd	07-11-13	30-04-17	$0.32	lapsed
Mark Hurd	07-12-15	30-04-20	$0.37	Vests at date of grant
Tara Lewis-Christie	04-09-13	27-08-18	$0.41	Vests at date of grant
Tara Lewis-Christie	17-12-14	30-04-18	$0.40	Vests at date of grant
Tara Lewis-Christie	07-12-15	30-04-20	$0.37	Vests at date of grant
Lelia Henderson	17-12-14	30-04-18	$0.40	Vests at date of grant
Lelia Henderson	07-12-15	30-04-20	$0.37	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 performace of the individual.

No options were granted during the year to Directors or executives. 280,000 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 2017	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
Mark Fortunatow	1,322,485	-	-	-	1,322,485
Mark Hurd	626,528	-	-	-	626,528
Tara Lewis-Christie	10,000	-	-	(10,000)	-
Leila Henderson	-	-	-	-	-

Name 2016	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
Mark Fortunatow	1,505,267	-	30,000	(212,782)	1,322,485
Mark Hurd	571,418	-	50,000	5,110	626,528
Tara Lewis-Christie	10,000	-	-	-	10,000
Leila Henderson	-	-	-	-	-

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

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

Name 2016	Balance at 1 July No.	Granted as compensation No.	Reduction due to exercise of options No.	Weighted average exercise price ($)	Net other change No.	Balance at 30 June No.
Mark Fortunatow	400,000	170,000	(30,000)	0.70		540,000
Mark Hurd	130,000	50,000	(50,000)	0.70	-	130,000
Tara Lewis-Christie	80,000	10,000	-	-	-	90,000
Leila Henderson	10,000	10,000	-	-	-	20,000

In the 2009 financial year, Mr Fortunatow and Mr Hurd each advanced the Group the sum of $150,000. During the 2013 financial year, $100,000 of the loan to Mr Fortunatow was repaid with a further $50,000 being repaid in the 2015 financial year. An amount of $35,000 was repaid to Mr Hurd in the 2016 financial year and a further $115,000 repaid in the 2017 financial year. Interest paid in relation to the loans was $11,296, (2016: $11,442). Total borrowings from Directors were fully repaid by 30 June 2017.

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 Thursday 28 September 2017

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,

Mark Fortunatow
Executive Chairman
Signed at Adelaide on Thursday 28 September 2017

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Independent Auditor's Report
To the Members of MGM Wireless Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of MGM Wireless Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition **Note 5**	
In accordance with ASA 240 *The Auditors Responsibility in relation to Fraud in an Audit of a Financial Report* we must consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition. The Group recognises revenues from providing mobile messaging solutions for business enterprises. The Group enters into multi-period contracts with customers and there is risk that revenue may be recognised prematurely (in the incorrect accounting period) as the revenue to be earned under a customer contract may be received in advance of providing services. This area is a key audit matter due to revenue being a significant risk.	Our procedures included, amongst others: • documenting the processes and assessing the design effectiveness of internal controls relating to the recognition of revenue transactions; • assessing the revenue recognition policy for each stream to ensure it is in accordance with AASB 118 *Revenues*; • performing analytical procedures to understand the movements and trends in revenue and comparing against expectations; • agreeing a sample of revenue transactions from the general ledger to source data to confirm appropriate revenue recognition had been applied; • agreeing a sample of corresponding sales contract and other supporting documentation to confirm unearned revenue had been correctly accounted for; • selecting a sample of revenue transactions near year-end and agreeing to underlying source data to ensure that revenue transactions around year end was recorded in the correct period; and • assessing the adequacy of the related disclosures within the financial statements.
Provision for doubtful debt not adequate **Note 10**	
Due to the significant ageing of invoices included within trade receivables and ongoing negotiations with customers in relation to the settlement of invoices there is a risk the provision for doubtful debts ("the provision") is not adequate. The Group's policy is to recognise a provision on the basis of recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position. This area is a key audit matter due to the significant management judgment required to estimate the provision.	Our procedures included, amongst others: • assessing the design of management's controls over the recoverability of receivables; • agreeing the provision for doubtful debt listing to the general ledger; • checking the mathematical accuracy of management's calculation for the provision; • understanding the methodology and estimates used by management in determining the provision; • developing an independent estimation of the provision based on historical collection rates, age of invoices and knowledge of the individual debtor's financial position and comparing to management's estimate; and • assessing the adequacy of the related disclosures within the financial statements.

Grant Thornton

Capitalisation of development costs Note 14	
During the year, the Group capitalised internal software development project costs of $1,750,886. These projects related predominantly to the development of the Mobile Messaging Solutions Platform. The costs mainly comprised of remuneration and direct costs. AASB 138 *Intangible Assets* specifies that development costs can only be capitalised if all criteria listed in this accounting standard can be met. Assessing whether these criteria are met requires an element of management judgement, particularly with regard to whether the future economic benefits will be generated and the intention of the Group to complete development and use or sell the underlying asset. These judgements are dependent on expectations of future events. There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with AASB 138 *Intangible Assets*. We therefore identified the capitalisation of development costs as a significant risk. This area is a key audit matter due to the degree of management judgement involved.	Our procedures included, amongst others: • documenting the processes and assessing whether the internal controls relating to capitalised development costs were designed effectively; • examining a sample of invoiced costs capitalised to determine the nature of the cost and assess whether the costs meet the capitalisation criteria under AASB 138; • selecting a sample of employee costs capitalised and agreeing to source documentation to confirm the value, role and employee time allocation to the respective projects; and • assessing the adequacy of the related disclosures within the financial statements.
Intangible assets carrying value exceeds fair value Note 14	
The intangible assets of the Group are all being amortised. AASB 136 *Impairment of Assets* requires the Group to perform a review of impairment triggers for all amortised intangible assets at each reporting date. The process undertaken by management to assess whether there are impairment triggers involves an element of management judgement. This area is a key audit matter due to the degree of management judgement and assumptions applied in assessing the presence of impairment of the intangible assets.	Our procedures included, amongst others: • Obtaining the impairment trigger paper prepared by management and performing the following: • Discussing the key aspects of the paper with management to assess consistency with AASB 136 Impairment of Assets; • Evaluating the qualification and expertise of management's experts who assisted with the assumptions used in the management paper; • Assessing the status of significant projects against the recognition criteria of AASB 138 Intangible Assets through discussion with senior management and project managers; and • Assessing the adequacy of the related disclosures within the financial statements

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Grant Thornton

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Group 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of MGM Wireless Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton

Responsibilities

The Directors of the Group 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

S K Edwards

Partner - Audit & Assurance

Adelaide, 28 September 2017

Grant Thornton

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Auditor's Independence Declaration
To the Directors of MGM Wireless Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MGM Wireless Limited for the year ended 30 June 2017, 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

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner - Audit & Assurance

Adelaide, 28 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group Year Ended 30/06/2017 $	30/06/2016 $
Continuing Operations			
Revenue	5	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	6	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)	7	(6.15)	5.84
Diluted (cents per share)	7	(6.15)	5.64

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 30/06/2017 $	Group As At 30/06/2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,109,972	1,405,660
Trade and other receivables	10	362,794	794,282
Other current assets	11	922,510	846,027
Total Current Assets		2,395,276	3,045,969
Non-Current Assets			
Property, plant and equipment	13	174,061	168,461
Intangible assets	14	2,647,286	2,626,645
Deferred tax assets	6	-	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	15	593,906	423,788
Provisions	17	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	6	65,671	-
Borrowings	16	-	115,000
Total Non-Current Liabilities		65,671	115,000
Total Liabilities		1,213,638	1,200,944
Net Assets		4,002,985	4,651,232
EQUITY			
Issued capital	18	7,469,606	7,454,029
Reserves	19	446,464	463,875
Accumulated losses		(3,913,085)	(3,266,672)
Total Equity		4,002,985	4,651,232

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

Consolidated Statement of Changes in Equity

Consolidated	Issued Capital $	Accumulated Losses $	Option Issue Reserve $	Foreign Currency Translation Reserve $	Total Equity $
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**

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 30/06/2017 $	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	9	**1,698,030**	1,814,385
Cash flows from investing activities			
Payments for plant and equipment		**(13,384)**	(1,744)
Payment for 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	9	**1,109,972**	1,405,660

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 22 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 2017, 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

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 and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
    - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
    - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9.

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 including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity'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:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The entity 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 2017.

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:

- 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

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.

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.

3.7.2 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 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.

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.

3.8 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.

- 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.

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 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.

3.11.1 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.

3.11.1.3 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‘

3.11.2.1 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.

3.13 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.

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.

3.17 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.

4.1.2 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, which is included in the consolidated statement of financial position at 30 June 2017 at $2.65M (30 June 2016: $2.63M).

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.

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.

4.3 Key Estimates

Impairment

The group assess impairment at each reporting date by evaluating conditions specific to the group that may to 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 2017 amounting to $2,647,286.

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 $186,973 (2016: $72,048) has been recognised for the year ended 30 June 2017.

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

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
Revenue		
The following is an analysis of the Group's revenue and expenses for the year		
Revenue		
Sales revenue	**2,626,617**	2,575,684
Expenses		
Rental expense relating to operating leases	99,990	99,768
Defined contribution superannuation expense	135,119	124,933
Share based payments expense	-	88,250
Research costs	599,653	415,378

6 Income Tax

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
6.1 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	(986,127)	103,773
Prima facie tax benefit at 27.5% (2016: 30%)	(271,185)	31,132
Non-deductible items		
Other	86,302	31,913
Research and development tax offset	(331,479)	(275,545)
Effect on deferred tax balances due to change in income tax rate from 30% to 27.5%	461	-
Previously unrecognised deferred tax assets and liabilities	-	(202,670)
Adjustments recognised in the current year in relation to the current tax of prior years	63,573	15,269
Total income tax benefit	(452,328)	(399,901)
6.2 Income tax expense recognised in the profit or loss		
Current tax expense	308,551	422,565
Research and development tax offset	(901,224)	(826,634)
Adjustments recognised in the current year in relation to the current tax of prior years	63,573	15,269
Deferred tax	76,772	(11,101)
	(452,328)	(399,901)

6.3 Deferred tax assets and liabilities

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
Deferred tax assets		
Temporary differences		
Provision for doubtful debts	23,833	34,969
Property, plant and equipment	9,024	10,831
Prepayments	74,055	67,557
Trade payables/accrued expenses	46,657	46,296
Provisions for employee entitlements	66,839	82,559
	220,408	242,212
Deferred tax liabilities		
Temporary differences		
Property, plant and equipment	(7,202)	(4,832)
Intangible assets	(278,877)	(226,279)
	(286,079)	(231,111)
	(65,671)	**11,101**

6.4 Franking account

	Company Year Ended 30/06/2017 $	Company Year Ended 30/06/2016 $
Adjusted franking account balance	-	-

7 Earnings Per Share

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
Basic earnings per share		
Total basic earnings per share (cents per share)	**(6.15)**	5.84
Diluted earnings per share		
Total diluted earnings per share (cents per share)	**(6.15)**	5.64

7.1 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.

	30/06/2017 $	30/06/2016 $
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

7.2 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.

	30/06/2017 $	30/06/2016 $
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

8. Segment Revenues and Results

8.1 Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of services delivered or provided. In the current and previous financial years, the Group has only operated in one business sector and reporting to management has been on a geographical basis.

The Group operates predominately in one business segment being the provision of school messaging services and internet related services. The Group functions with a subsidiary operating in each business segment. Each Company represents a strategic business unit that offers different risks and rates of returns. This is the basis by which management controls and reviews the operations of the Group.

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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
MGM Wireless Holdings	2,605,084	2,557,052	(526,105)	550,676
MGM Wireless	-	-	-	-
USA Message YOU LLC	-	-	-	-
NZ MGM Wireless (NZ) Pty Ltd	21,533	18,632	(7,694)	(47,002)
Total for Continuing Operation	2,626,617	2,575,684		
(Loss) / profit after tax (continuing operations)			(533,799)	503,674

Segment revenue reported above represents revenue generated from external customers by each subsidiary. There were no inter-segment sales in the current year (2016: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. The segment result for NZ and the USA represents the profit earned by each segment without allocation of central administration costs and Directors' salaries, investment revenue, finance costs and income tax expense. These costs are routinely considered to be part of the Australian operations. This is the basis on which segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8.3 Segment assets and liabilities

	Assets		Liabilities	
	Year Ended		Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
MGM Wireless Holdings	5,163,628	5,768,670	1,025,574	987,165
MGM Wireless	-	-	-	-
USA Message YOU LLC	-	-	81,251	84,162
NZ MGM Wireless (NZ) Pty Ltd	52,995	83,506	106,813	129,617
Consolidated Assets	5,216,623	5,852,176		
Consolidated Liabilities			1,213,638	1,200,944

Each segment's assets and liabilities are accounted for within their own entity. Other assets and liabilities are retained within the Australian entity. General intellectual property is retained by the parent Company.

8.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
MGM Wireless Holdings	1,738,029	1,211,485	1,764,270	1,810,388
MGM Wireless	-	-	-	-
USA Message YOU LLC	-	-	-	-
NZ MGM Wireless (NZ) Pty Ltd	-	-	-	-
Depreciation and Amortisation	1,738,029	1,211,485		
Additions to Non-Current Assets			1,764,270	1,810,388

8.5 Geographical Information

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 2017 and 2016.

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.

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
9.1 Cash & cash equivalents		
Cash and bank balances	**1,109,972**	1,405,660

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
9.2 Reconciliation of profit for the year to net cash flows from operating activities		
(Loss)/profit for the year	**(533,799)**	503,674
Adjustments for:		
Depreciation and amortisation	**1,738,029**	1,211,485
Options issue costs	**-**	88,250
Movements in working capital		
Decrease/(increase) in trade and other receivables	**431,488**	(6,690)
Decrease/(increase) in other current assets	**(76,483)**	(209,762)
Decrease/(increase) in deferred tax assets	**11,101**	11,101
(Decrease)/increase in trade payables	**170,119**	480,533
(Decrease)/increase in provisions	**358**	(21,081)
(Decrease)/increase in tax liability	**(108,454)**	(243,125)
(Decrease)/increase in deferred tax liability	**65,671**	-
Cash flows from operating activities	**1,698,030**	1,814,385

10. Trade and Other Receivables

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

Trade and other receivables have been reviewed and a provision for doubtful debts of $186,973 (2016: $72,048) 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 30/06/2017 $	Group Year Ended 30/06/2016 $
10.2 Past due but not impaired trade receivables		
Past due 0-30 days	**10,627**	24,919
Past due 31-60 days	**8,647**	37,886
Past due 61 - 90 days	**1,162**	59,110
Past due over 91 days	**308,476**	611,343
	328,912	733,258

As at 30 June 2017, trade receivables of $328,912 (2016: $733,258) were past due but not impaired. These relate to accounts where there is no recent history of default.

10.3 Movement in the provision for doubtful debts	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
Balance at the beginning of the year	(72,048)	(169,587)
Amounts recovered during the year	-	-
(Increase)/Decrease in provision attributable to new sales	(114,925)	97,539
Balance at the end of the year	(186,973)	(72,048)

11. Other Current Assets

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

12. Interest in Subsidiaries

Unlisted Controlled Entity	Date of Acquisition	Country of Incorporation	Class of Shares	Cost of Parent Entity's Investment 30/06/2017 $	Cost of Parent Entity's Investment 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%. These investments have been elimintated on consolidation.

13. 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	321,110	182,607	**503,717**
Additions	10,986	2,398	**13,384**
Balance at 30 June 2017	332,096	185,005	**517,101**
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	(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)**
Written Down Value 30 June 2016	78,266	90,195	**168,461**
Written Down Value 30 June 2017	84,081	89,980	**174,061**

14. Intangible Assets

	Group Year Ended 30/06/2017 $	Group Year Ended 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

Cost	Distribution Rights $	Capitalised Development Costs $	Total $
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 30 June 2017	**264,610**	**2,382,676**	**2,647,286**

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 30/06/2017 $	Group Year Ended 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

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. Borrowings

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
Non - Current		
Non secured loans from related parties	-	115,000

Terms and conditions of the loans from related parties are detailed in Note 24. Secured loans other - equipment under chattel mortgage.

The Directors' loans have been fully repaid during the financial year.

17. Provisions

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
Current		
Employee benefits	**243,050**	**242,692**

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

18. Issued capital

	Group Year Ended 30/06/2017 $	Group Year Ended 30/06/2016 $
18.1 Issued and paid up capital		
Ordinary shares, fully paid	**7,469,606**	7,454,029
(30 June 2017: 8,691,438, 30 June 2016: 8,664,960)		

	Group Number of shares	Group Share capital $
18.2 Fully paid ordinary shares		
Balance as at 30 June 2015	**8,567,414**	7,376,993
Shares issued to Directors	**97,546**	77,036
Balance as at 30 June 2016	**8,664,960**	7,454,029
Shares issued to Directors	**26,478**	15,577
Balance as at 30 June 2017	**8,691,438**	7,469,606

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.

18.3 Share options

Expiry Date	Exercise Price	Number	Expired	New	Closing
30/04/2017	$1.60 each	310,000	(310,000)	-	-
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
		810,000	(310,000)	-	500,000

19. Reserves

	Group Year Ended 30/06/2017 $	Group Year Ended 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
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)

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.

20. Dividends

No dividends have been declared in respect of the 2017 financial year.

A dividend of $0.013 per share was paid in respect of the 2016 financial year on 26 October 2016.

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.

21. Capital risk management

21.1 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.

21.2 Gearing ratio

	Group Year Ended	
	30/06/2017	30/06/2016
The gearing ratio at end of the period was as follows.	$	$
	-	115,000
Net Debt	-	115,000
Equity	**4,280,824**	4,651,232
Net debt to equity ratio	**0.0%**	2.5%

Total 2016 debts of $115,000 relates to non-secured loans from Directors that are repayable in accordance with the terms and conditions as set out in note 24.5. The director loans have been fully repaid in 2017.

22. Financial instruments

22.1 Financial risk management

The Company's principal financial instruments comprise receivables, payables, borrowings, 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.

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	
	30/06/2017	30/06/2016
	$	$
Cash and cash equivalents (interest-bearing accounts)	1,109,972	1,405,660
Net exposure	1,109,972	1,405,660

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:

		Group Year Ended	
		30/06/2017	30/06/2016
Post tax profit - higher/ (lower)		$	$
	0.50%	56	575
	-0.50%	(56)	(575)
Equity – higher / (lower)			
	0.50%	56	575
	-0.50%	(56)	(575)

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 2017 financial period.

	Group	
	Year Ended	
	30/06/2017	30/06/2016
Financial assets	$	$
Cash & cash equivalents	1,109,972	1,405,660
Trade and other receivables	362,794	794,282
	1,472,766	2,199,942
Financial liabilities		
Trade & other payables	404,665	220,685
Borrowings	-	115,000
Indirect tax liability	96,693	106,286
	501,358	441,971
Net Maturity	971,408	1,757,971

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 it 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 Groups volume of transactions in both USD and NZ currency was low and immaterial for the year ended 30 June 2017.

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.

23. Share-based payments

23.1 Employee share option plan

The Group has an ownership-based compensation plan for executives and senior employees. In accordance with the terms of the plan executives and senior employees 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 $0.622 (2016: $1.139)

The average remaining contractual life of options outstanding at the end of the financial year was 1.88 years (2016: 2.17).

There were no options granted during the current financial year.

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	07-11-13	30-04-17	$0.32	lapsed
Mark Fortunatow	17-12-14	30-04-18	$0.40	Vests at date of grant
Mark Fortunatow	07-12-15	30-04-20	$0.37	Vests at date of grant
Mark Hurd	07-11-13	30-04-17	$0.32	lapsed
Mark Hurd	07-12-15	30-04-20	$0.37	Vests at date of grant
Tara Lewis-Christie	04-09-13	27-08-18	$0.41	Vests at date of grant
Tara Lewis-Christie	17-12-14	30-04-18	$0.40	Vests at date of grant
Tara Lewis-Christie	07-12-15	30-04-20	$0.37	Vests at date of grant
Lelia Henderson	17-12-14	30-04-18	$0.40	Vests at date of grant
Lelia Henderson	07-12-15	30-04-20	$0.37	Vests at date of grant

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

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

Name 2016	Balance at 1 July No.	Granted as compensation No.	Reduction due to exercise of options No.	Weighted average exercise price ($)	Net other change No.	Balance at 30 June No.
Mark Fortunatow	400,000	170,000	(30,000)	0.70		540,000
Mark Hurd	130,000	50,000	(50,000)	0.70	-	130,000
Tara Lewis-Christie	80,000	10,000	-	-	-	90,000
Leila Henderson	10,000	10,000	-	-	-	20,000

23.2 Fair Value of share options granted during year

No share options were granted during the year (2016: 240,000). In total, $0 (2016: $88,250) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

24. Related party transactions

24.1 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.

24.2 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.

Financial position	30/06/2017 $	30/06/2016 $
Assets		
Current assets	-	-
Non-current assets	4,388,667	4,260,476
Total assets	4,388,667	4,260,476
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Net assets	4,388,667	4,260,476
Equity		
Issued capital	7,469,606	7,454,029
Retained earnings	(3,080,939)	(3,193,553)
Total equity	4,388,667	4,260,476

Financial performance	Year Ended 30/06/2017 $	Year Ended 30/06/2016 $
Profit for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

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

24.3 Key management personnel

Disclosures relating to key management personnel are set out in Note 25.

24.4 Other equity interests

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

24.5 Transactions with related parties

In the 2009 financial year, Mr Fortunatow and Mr Hurd each advanced the Group the sum of $150,000. During the 2013 financial year, $100,000 of the loan to Mr Fortunatow was repaid with a further $50,000 being repaid in the 2015 financial year. An amount of $35,000 was repaid to Mr Hurd in the 2016 financial year and a further $115,000 repaid in the 2017 financial year. Interest paid in relation to the loans was $11,296, (2016: $11,442). Total borrowings from Directors was fully repaid by 30 June 2017.

The interest rate is equivalent to:

1. the daily rate of interest applied by the National Australia Bank Limited on overdrafts of at least $150,000; and, if there is no such interest rate, then,

2. the daily rate of interest applied by the National Australia Bank Limited on secured commercial loans of at least $150,000 where a variable rate of interest applies to the said loan and, if there is more than one such rate, then the highest of those rates shall apply.

All of the property offered by the borrower and accepted by the lender as security for the advance is comprised of the assets of the borrower by way of registered charge granted to the lenders.

There are no other related party loans.

During the 2017 financial year no amount was paid to Newsgallery for PR advisory services (2016: $10,551). Newsgallery is a related entity of Leila Henderson.

25. Director and executive disclosures

25.1 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 30/06/2017 $	Group Year Ended 30/06/2016 $
Short-term	583,262	649,872
Post Employment	49,243	59,369
Other Long-Term	-	-
Termination Benefits	47,465	-
Share-based payment	-	88,250
	679,970	**797,491**

25.2 Loans with key management personnel

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

See Note 24.5

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.

The Directors have agreed not to invoke the security clause attached to their loans until revised loan agreements have been subject to shareholder approval.

26. 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	
	30/06/2017	30/06/2016
	$	$
Payments recognised as an expense	99,990	99,768
Payments due under operating leases:		
Not later than one year	53,254	89,742
Later than one year and not later than 5 years	53,254	53,254
	106,508	142,996

27. Remuneration of auditors

	Group Year Ended	
	30/06/2017	30/06/2016
Audit and review of financial statements of Group by:	$	$
- Grant Thornton	23,614	23,750
	23,614	23,750

No other services have been provided by the auditor in the 2017 financial year.

28. 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

29. Subsequent Events

On 30 August 2017, MGM Wireless Limited announced a 1 for 8 non-renounceable Entitlement offer of ordinary shares in the Company at an issue price of $0.35 per share. The Entitlement offer seeks to raise approximatley $380,000, through the issue of up to approximately 1,086,430 new fully paid ordinary shares in the Company on the basis of 1 new share for every 8 existing shares held by eligible shareholders on 4 September 2017.

The entitlement offer is partially underwritten by I-Holdings Pty Ltd as trustee for the Fortunatow Family Super Fund to a maximum of 350,000 shares (32.2% of the Rights Issue). The underwritter is an existing sharholder of the Company and is also an entity associated with Mr Mark Fortunatow, the Executive Chairman of the Company.

The Entitlement Offer closed on the 26 September 2017, with under subscriptions notified on 29 September 2017 and new shares to be issued on 3 October 2017.

The proceeds of the Entitlement Offer will be used to increase the funds currently available for the launch related activities to promote sales of the first manufacturing run of the 'Spacetalk' children's 3G GPS smartwatch/phones, which the Company has developed for sale with its AllMyTribe family locator, child safety app and server platform.

On September 21st, 2017 the company annunced a new agreement secured with the Western Australian Education Department. The largest agreement in the Company's history encompasses the rollout of MGM's Outreach+ and School Star App to all Western Australian government schools. The agreement will lead to more government schools taking up MGM services in that state. The company expects additional income derived from increased in-app message traffic to have a positive effect on MGM's revenue in 2018.

Except as disclosed above, 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.

Additional Stock Exchange Information as at 26 September 2017

Ordinary share capital

	Ordinary Shares
Number of holders	
Distribution of listed shareholders / option holders	
1-1000	274
1001-5000	258
5001-10000	97
10001-100000	121
100001 and over	14
Total number of holders	764
Total on issue	**8,691,438**
Holding less than a marketable parcel	281

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 26 September 2017

Substantial shareholders	**Number**	**% of units**
MRS PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	605,113	6.96
Twenty largest shareholders		
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	605,113	6.96
MARK EDWIN HURD <MARK HURD INVESTMENT A/C>	420,098	4.83
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	291,809	3.36
YAVERN CREEK HOLDINGS PTY LTD	241,449	2.78
MRS PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	235,001	2.70
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	234,762	2.70
RYANU SERVICES PTY LTD <RYANU FAMILY A/C>	224,418	2.58
MR MARK HURD <MARK HURD INVESTMENT A/C>	206,430	2.38
DR PRIYA AMARA SELVA-NAYAGAM + DR CRAIG LLOYD JAMES <THE JAMES SUPER FUND A/C>	179,458	2.06
MR MARK FORTUNATOW + MRS PAULA FORTUNATOW <FORTUNATOW FAMILY S/F A/C>	178,660	2.06
FGDG SUPER PTY LTD <FG HEPPINGSTONE P/L S/F A/C>	160,000	1.84
KINGSTON PROPERTIES PTY LIMITED <BYRON ACCOUNT>	140,000	1.61
MR MARCEL STEPHAN + MRS CORINA STEPHAN <STEPHAN SUPER FUND A/C>	130,000	1.50
LOCOPE PTY LTD	115,000	1.32
MR STEVEN RODNEY JAMES SHEARMAN	98,263	1.13
HEGM NOMINEES PTY LTD	98,085	1.13
MR PAUL SIMON HALLION + MR PATRICK MICHAEL HALLION <P S HALLION SUPERFUND A/C>	96,267	1.11
MR MICHAEL CARL BOND	80,000	0.92
MR COSIMO SPAGNOLETTI	76,040	0.87
HV ROSS PTY LTD	75,000	0.86
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	3,885,853	44.71
Total Remaining Holders Balance	*4,805,585*	55.29

Unlisted options

Additional Stock Exchange Information as at 26 September 2017

Unlisted options			
Expiry date	**30-04-18**	**30-04-20**	**28-08-18**
Exercise price	**$1.25**	**$1.40**	**$1.10**
Total Options Issued	230,000	240,000	30,000
Number of holders	3	4	1
Holders with more than 20%			
- Mark Fortunatow	170,000	170,000	-
- Tara Lewis-Christie	50,000	10,000	30,000
- Mark Hurd	-	50,000	-
- Leila Henderson	10,000	10,000	-

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

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Share Registry

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