M•POWER MSL

MSL Solutions Limited ABN 96 120 815 778

ASX preliminary final report for the year ended 30 June 2019

Lodged with the ASX under listing Rule 4.3A

Results for announcement to the market
30 June 2019
MSL Solutions Limited

Appendix 4E Reference		30 June 2019 $'000	30 June 2018 (restated) $'000	Variance $'000	Variance %
2.1	Revenue from ordinary activities	27,769	32,529	(4,760)	(15%)
2.2	Profit/(loss) from ordinary activities after tax attributable to members	(17,942)	(173)	(17,769)	(10271%)
2.3	Net profit/(loss) for the period attributable to members	(17,883)	1,975	(19,858)	(1005%)
2.4	Dividends/distributions	No dividends were paid during the period, and no dividends have been proposed for payment.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to the attached financial statements			
3	Statement of Comprehensive Income	Refer to the attached financial statements			
4	Statement of Financial Position	Refer to the attached financial statements			
5	Statement of Cash Flows	Refer to the attached financial statements			
6	Statement of Changes in Equity	Refer to the attached financial statements			
7	Details of Individual and total Dividends	Not applicable			
8	Details of dividend reinvestment plans in operation	Not applicable			
9	Net tangible assets per share (cents)	(0.01) cents	(0.00) cents	(0.01) cents	(100%)
10	Details of entities over which control has been gained or loss	Not applicable			
11	Details of associates or joint venture entities	Not applicable			
12	Any other significant information	Refer to the attached financial statements			
13	The Financial Statements are prepared in accordance with Australian Accounting Standards.				
14	Commentary on the results for the period	Refer to the attached financial statements			
15	The 30 June 2019 financial report and accompanying notes for the Group have been audited and are not subject to any disputes or qualifications.				
16	Not Applicable.				
17	The 30 June 2019 financial report and accompanying notes for the Group have been audited and are subject to an emphasis of matter paragraph.				

M•POWER MSL

MSL Solutions Limited

ANNUAL FINANCIAL REPORT – 30 JUNE 2019

MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES
Annual financial report – 30 June 2019
ACN 120 815 778

Chairman's Report

Fellow Shareholders,

This year was always going to be challenging. As we communicated previously, fiscal year 2019 was a reinvestment year to ensure the Company is competitively positioned to achieve its growth potential.

We invested over $6.2m in our assets, and we continued to drive the business in line with a SAAS model. The objective is to grow our recurring revenue base and in fiscal year 2019 we grew our recurring revenue to $17.6m, representing 63% of our total earnings.

We also increased our investment in sales and marketing to $6.3m which resulted in a significant enhancement in our pipeline.

Our revenue delivery has been disappointing in that we were unable to deliver sales outcomes in accordance with our budget projections despite the pleasing growth in our pipeline prospects. While it has to be acknowledged that our sales execution has been disappointing, it is important to confirm that the issue confronting the sales position relates largely to deals being postponed rather than lost.

However, the upshot of this was to deliver an unacceptable fiscal year 2019 result.

I can confirm that the Board has been engaged in independently reviewing the business over the past 6 months. Based on this review it has locked in a growth strategy and has taken the necessary steps to ensure the business is realigned, restructured, and recapitalised to deliver on its potential.

Details of these changes have already been released. A new executive team is in place. The business operations and focus have been rationalised to bring operating expenditure more aligned with our recurring revenue base, and finally, the Board has reviewed itself. It has been mutually agreed that Ian Daly will step down. Ian is a founding director and major shareholder. I, after 10 years as Chairman, have replaced myself with Tony Toohey who has accepted the role of Executive Chairman.

We all look forward to the next 12 months with a significant reinstatement of shareholder wealth.

Sincerely,

John Down
Chairman

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Board of Directors

Kenneth John Down - Non-Executive Chairman

John Down was appointed as non-executive Chairman in October 2008. His extensive private and public sector experience has contributed to forming the corporate vision for, and the building of, the company that MSL has become today.

In 1997 he founded Viking Industries Ltd, a multi-faceted marine industrial business which was subsequently sold as a mid-cap publicly listed company to private equity in 2008. He was appointed to the position of Co-ordinator General and Director-General, in the Office of Major Projects, by the Premier of Queensland in 1993, and held this position until 1996. In 1970, John co-founded the GRM Group of Companies, a multifaceted agribusiness with operations in over 50 countries, which was also sold to private equity in 1992.

He has significant Board experience in both public and private companies. He is currently the Chairman of Asia Pacific Aircraft Storage Pty Ltd; Chairman of Nutrafruit Pty Ltd and is on the Council of Brisbane Boys College. His former Board appointments include AUSTRADE (Deputy Chairman), Export Finance Insurance Corporation; QCT Resources Ltd; Anaconda Nickel Ltd; Santos Ltd – UK & USA; and Herron Pharmaceutical Advisory Board.

John holds a Bachelor of Economics from the University of Queensland and a Master of Economics from the University of New England.

John Down is also a member of the Company's Remuneration Committee.

Interest in Shares and Options
7,385,347 fully paid Ordinary Shares and 785,714 Options over ordinary Shares of MSL Solutions Limited were held by Mr Down and associated entities as at 30 June 2019.

Craig Kinross - Managing Director & Chief Executive Officer (resigned 20 August 2019)

Craig was appointed from within MSL to the role of Managing Director and Chief Executive Officer in November 2012, and has facilitated important strategic partnerships, acquisitions and capital raisings to profitably grow revenue by over 7 times during this time. Previously he served as the Company's Chief Operating Officer from 2010 to 2012, where he was instrumental in the restructure of MSL.

He brings almost 20 years software industry experience holding various senior operations and finance management roles in successful international companies. His career also includes over 10 years' experience with global software company Mincom, which operated in over 40 countries. He was a key member of the deal team securing the sale of the business to a US private equity business for over $300 million, and post the acquisition was the internal company lead of a substantial organisation restructure during the Global Financial Crisis reducing headcount and costs by over 30%, while still maintaining a platform for revenue growth.

He has also held corporate finance roles with Invensys Plc and Credit Suisse Financial Products in London, and prior to moving to London Craig started his career at KPMG Brisbane as an accountant in their Business Advisory Group. He holds a Bachelor of Commerce degree from the University of Queensland and is a Member of The Institute of Chartered Accountants, Australia and New Zealand.

On 20 August 2019, Mr Kinross' role changed to Director of Strategy, as announced on 22 August 2019.

Interest in Shares and Options
10,748,271 fully paid Ordinary Shares of MSL Solutions Limited, 560,000 Performance Rights and 1,000 Share Equivalent Appreciation Rights were held by Mr Kinross and associated entities as at 30 June 2019.

Ian Daly - Non-Executive Director

Ian joined the Board in December 2009 bringing over 48 years of firsthand corporate experience to MSL.

He commenced his career with John Rawlinson & Partners in 1967 as a Senior Chartered Quantity Surveyor, and over 31 years grew with the firm to become Qld Managing Director and Chairman of The Rawlinsons Group, recognised as one of Australia's leading quantity surveying and project management consultancies operating from 21 local and overseas offices.

He joined the Brisbane Marine Industry Park in 1999, then its successor Viking Industries Ltd in 2001 serving as an Executive Director to both organisations. Ian currently serves as a Director of Zuuse Pty Ltd, a software company servicing the infrastructure, building and asset management sectors.

Ian is a Fellow of The Royal Institution of Chartered Surveyors and a Fellow of the Australian Institute of Quantity Surveyors.

Ian Daly is also a member of the Company's Audit and Risk Committee.

Interest in Shares and Options
9,214,286 fully paid Ordinary Shares and 785,714 Options over ordinary Shares of MSL Solutions Limited were held by Mr Daly and associated entities at 30 June 2019.

Earl Eddings - Non-Executive Director (appointed 30 April 2019)

Managing Director of The Riskcom Group, Earl was North Melbourne Cricket Club President from 2001 until November 2008. Earl has served as a Director of Cricket Australia since September 2008 and Chairman since 28 November 2018. He was a Director of Cricket Victoria from 2006-2015 and held the position of Deputy Chairman from 2008-2015. Earl also served as Co-Chair of the Victorian Indigenous Cricket Advisory Committee.

Interest in Shares and Options
Mr Eddings and associated entities held 73,622 fully paid Ordinary Shares of MSL Solutions Limited as at 30 June 2019.

Kaylene Gaffney - Non-Executive Director (resigned 30 January 2019)

Kaylene joined the MSL Board in 2017, having enjoyed a 26-year career in senior financial roles.

She has previously served as non-executive Director and Chair of the Audit and Risk Committee for Wotif.com. Her senior financial role experience is in the retail, aviation, telecommunications and information technology sectors. Kaylene is a non-executive Director and Chair of the Audit and Risk Committee for National Veterinary Care Limited.

Kaylene holds a Masters Degree in International Business from the Queensland University of Technology, and is a Graduate member of The Australian Institute of Company Directors and is a Fellow of The Institute of Chartered Accountants Australia and New Zealand.

Kaylene Gaffney was also a member of the Company's Audit and Risk Committee.

Interest in Shares and Options
Ms Gaffney and associated entities held nil fully paid Ordinary Shares of MSL Solutions Limited as date of resignation.

Dr Richard Holzgrefe - Non-Executive Director

Richard was appointed as a non-executive Director in December 2007. He brings corporate experience across multiple industry sectors to the Company.

He joined MSL from VLRQ Pty Ltd where he served as a Director from 1998 to 2004. He was a Director of Kenlynn Property Syndicates Pty Ltd from 1997 to 2000, and co-founded The BOH Dental Group, in 1976. He left in 1997 to pursue interests in the Property and Retirement Living sectors.

He currently serves as Chairman of Urana Road Developments Pty Ltd, Chairmen of Verton Technologies Aust Pty Ltd and is a Director of Holmac Holdings Pty Ltd.

Richard holds a Bachelor of Dental Science degree from the University of Queensland.

Richard Holzgrefe is also a member of the Company's Audit and Risk and Remuneration Committees.

Interest in Shares and Options
13,267,071 fully paid Ordinary Shares and 785,714 Options over ordinary Shares of MSL Solutions Limited were held by Dr Holzgrefe and associated entities as at 30 June 2019.

David Trude - Non-Executive Director

David joined the Board in 2017 bringing over 40 years' experience as a senior corporate executive within the banking and securities industries.

He was formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse, Australia for 10 years from 2001.

He has served as Chairman of Baillieu Holst Limited since 2010 having been a Board member since 2007, is Chairman of Waterford Retirement Village, Hansen Technologies Limited and East West Line Parks Limited, a member of the Board of Chi-X Australia Pty Ltd and non-executive Director of Acorn Capital Investment Fund Limited, an ASX listed entity.

David holds a Bachelor of Commerce Degree from the University of Queensland, is a Senior Associate of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and Master Member of the Stockbrokers and Financial Advisers Association.

David Trude is also a member of the Company's Audit and Risk and Remuneration Committees.

Interest in Shares and Options
300,000 fully paid Ordinary Shares of MSL Solutions Limited were held by Mr Trude and associated entities as at 30 June 2019.

Tony Toohey – Executive Director and Chairman

Subsequent to the year end, Tony Toohey was appointed as Executive Director and Chairman effective 1 September 2019.

Company Secretary

Andrew Ritter was appointed as Company Secretary on 27 March 2017. Mr Ritter has approximately 20 years of international finance experience with various listed global IT & Telco organisations. Andrew is a Chartered Accountant, holds a Bachelor of Commerce degree, a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and the International Institute of Chartered Secretaries and Administrators.

Directors' Report

The Directors of MSL Solutions Limited ('MSL' or 'the Company') submit their report together with the consolidated financial report of the Company, comprising the Company and its controlled entities (together 'the Group') for the year ended 30 June 2019 and the audit report thereon.

Directors

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

Name	Director since
Non-Executive	
Mr Kenneth J (John) Down (Chairperson)	October 2008 (retired 30 August 2019)
Mr Ian M Daly	December 2009 (retired 30 August 2019)
Mr Earl R Eddings	Appointed 30 April 2019
Ms Kaylene J Gaffney	March 2017 (resigned 30 January 2019)
Dr Richard W Holzgrefe	December 2007
Mr David D Trude	March 2017
Executive	
Mr Craig G Kinross (Managing Director and Chief Executive Officer)	November 2012 to 20 August 2019
Mr Anthony (Tony) P Toohey (Chairman)	Appointed 1 September 2019

Principal activities

MSL is a global provider of hosted, software as a service (SaaS) and on-site deployed solutions to clients in the following segments of sport, leisure and hospitality sectors:

- Golf clubs and associations;
- Registered clubs;
- Stadia and arenas; and
- Other hospitality and entertainment venues.

MSL provides venue business software applications and data solutions through the MPower core integration architecture which connects member organisations' business software and data needs, to improve guest engagement, loyalty, gain business efficiencies and governance.

The MPower platform combines software applications, data and media channels in an open architecture platform that provides total integration from the back office to member facing solutions encompassing the full needs of the business. The MPower platform "connects the dots" for the customer organisation connecting every department of the business from food and beverage point of sale, to membership, marketing, financials and workforce management.

The principal activities of MSL during the year ended 30 June 2019 were related to sales, implementation and support of the MPower platform and component solutions to our customer base.

Key Financial Results

The table below provides a summary of the FY19 results, with a comparison to the prior year's statutory performance:

Results Summary for the Year Ended 30 June 2019 Statutory Results	FY19 A$ million	FY18 (restated) A$ million
Revenue from operating activities	27.8	32.5
Other income (1)	3.1	1.4
Total revenue & income	30.9	33.9
Cost of sales	(7.8)	(8.6)
Gross margin	23.1	25.3
Operating expenses before significant items	(25.5)	(21.2)
Adjusted EBITDA (2)	(2.4)	4.1
Significant expense items (2)	(0.3)	(0.6)
EBITDA	(2.7)	3.5
Depreciation	(0.1)	(0.2)
Amortisation	(4.8)	(4.6)
Impairment	(11.5)	0.0
EBIT	(19.1)	(1.3)
NPBT	(19.1)	(1.3)
Income tax benefit	1.2	0.9
NPAT	(17.9)	(0.4)
Adjusted NPATA (2)	(1.3)	4.8

(1) Other income includes the net gain on the sale of shares in Zuuse (FY19 gain on sale of shares in Zuuse $3.1m (FY18: $0.6m). FY18 also includes the release of earn out provision $0.5m.

(2) Adjusted EBITDA and Adjusted NPATA excludes significant expense items of $11.8m predominantly related to the impairment charge of $11.5m and transaction expenses of $0.3m (FY18 $0.6m).

Company Strategy

MSL's vision is to drive engagement for sport, leisure, hospitality venues and guests globally with its open architecture MPower Platform.

MSL connects venue business software and data needs for a member based organisation to grow their revenues, gain efficiencies and improve governance.

MSL's growth strategy is based upon four key components; strong organic growth in existing sales segments, cross-selling opportunities between sales segments, expansion of the business intelligence & analytics platform and accelerating growth through acquisitions.

Organic growth within each Sales Segment

The scalability of the MPower platform enables our clients to increase the use of the MPower platform and its modules as their business grows. MSL intend to grow the use of the MPower platform and additional modules through increased promotion and education by our sales managers to existing customers and new customers.

Cross-sell of products between Sales Segments

MSL's ability to acquire companies with leading software capabilities provides us with an opportunity to cross sell software products across our expanded customer base. MSL uses a direct sales & marketing strategy to offer our client base an expanded suite of software solutions through the MPower platform.

Increasing the number of customers using the MPower BI Solution

Central to the value proposition of the MPower platform is our BI Solution. Our clients have a need to not only know their customers but how they will behave. The ability for the MPower BI Solution to collect data from multiple systems allows our clients to achieve this.

Accelerating growth through acquisitions

MSL uses acquisitions to enter new markets and new geographies, acquire new software capabilities and knowledge, acquire new customer bases and ultimately develop cross sell opportunities between acquisitions and existing sales segments. We believe the acquisition of complementary software companies, using the following criteria, is an efficient and relatively low-cost growth strategy to build our presence and expand our customer base:

- grow the marketplace of clients;
- fill a gap in relation to technology or staff capabilities;
- positively improve EBITDA; and
- complement the international growth profile of MSL.

Dividends

No dividends were paid to shareholders during the financial year, and no dividend has been declared or paid subsequent to the end of the financial year.

Measures of profitability and basis of preparation

The accounting policies adopted in the preparation of this report are summarised in Note 25 of the Financial Statements.

Significant changes in state of affairs

As at the reporting date, MSL has on issue 249,840,362 ordinary shares. During the year the Company divested its shareholding in Zuuse Pty Ltd, to convert it into cash as the board considered it a non-core investment and utilised the cash proceeds to drive the Company's research and development program as well as other operational needs. The Company sold 8,216,210 shares at a price of between $0.59 and $0.65 per share. Cash proceeds of $4.6m were received in the current year with the balance of $705k to be received in FY20; a net gain on sale of $3.1m was included in other income for the year.

The Directors embarked on a significant strategic review of the Company in the fourth quarter, which was ongoing at the end of the financial year.

No other significant changes in the state of affairs of the Company occurred during the financial year, other than those disclosed in this report.

Subsequent events

The following matters have arisen since the end of the financial year which may materially affect operations of MSL, the results of those operations, or the state of affairs of MSL in future financial years.

The Company has undertaken an extensive review of its workforce and overhead costs and implemented a program to restructure the business to improve profitability in FY20 and better position the Company for future growth opportunities.

The Company is in the early stages of negotiating a new debt facility to support the Company's growth strategy.

Future developments, prospects and opportunities

Information regarding the Company's future developments, prospects and business opportunities is included in the report above. Overall, MSL will continue to:

- Enhance and develop its products and services by investing in research and development;
- Focus on increasing revenue and market share in the markets in which it operates; and
- Undertake strategic acquisitions that accelerate the Company's growth in its products and services.

Environmental issues

The Directors have considered climate related risks and do not currently consider that there is an associated material risk to the Group's operations and the amounts recognised in the financial statements. The Group continues to monitor climate related and other emerging risks and the potential impact on the financial statements.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Board		Audit & Risk Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
KJ Down	14	14	-	-	2	2
CG Kinross	14	14	-	-	-	-
IM Daly	14	14	4	4	-	-
RW Holzgrefe	14	14	3	3	2	2
DD Trude	14	14	1	1	2	2
ER Eddings	2	1	-	-	-	-
KJ Gaffney	8	8	2	2	-	-

Remuneration report - audited

The information provided in the remuneration report relates to the Company for the year ended 30 June 2019 and has been audited as required by section 308(3C) of the *Corporations Act (2001)*.

The directors present the MSL Solutions Limited FY19 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded. This report is structured as follows:

1. Key management personnel covered in this report
2. Remuneration policy and link to performance
3. Elements of remuneration
4. Link between remuneration and performance
5. Remuneration expenses for executive KMPs
6. Contractual arrangements with executive KMPs
7. Non-executive director arrangements
8. Additional Statutory information

Remuneration Highlights

Performance Highlights	
Group Operating Revenue of $27.8m (down 14% on restated FY18)	Group revenue of $27.8 million was down 14% in FY19 resulting from under performance in non-recurring hardware and software revenue sales.
Group NPAT of $(17.9)m (down $17.7m on restated FY18)	Group NPAT of $(17.9) million was down $17.7m in FY19 resulting from the impairment of goodwill in the amount of $11.5m and the inability to generate sufficient sales to cover the significant investment in software research and development.

Remuneration Highlights	
Managing Director & CEO Remuneration – Craig Kinross **CEO Remuneration – Patrick Howard**	Total FY19 remuneration was $307K (FY18: $314K Restated), as: • base salary of $286K (FY18: $300K) • leave & other benefits of $22k (FY18: $14k Restated) Patrick Howard commenced in the role of CEO on the 19 August 2019 with remuneration as follows: • base salary of $275k • leave & other benefits of $20k
LTI Incentive Plan	Total vested and exercisable options held by Directors and key management personnel as at 30 June 2019 are 2,657,142 (FY18: 3,907,143 Restated).
Non-Executive Director Fees	Total Non-Executive Director remuneration for FY19 was $228K and within the maximum aggregate amount of $250K approved by shareholders.

1. Key management personnel covered in this report

1.1 Non-executive and executive directors

Non-Executive Directors	
Kenneth John Down [1]	
Ian Daly [1]	
Richard Holzgrefe	
Kaylene Gaffney (resigned 30 January 2019)	
David Trude	
Earl Eddings (appointed 30 April 2019)	
Executive Directors	
Craig Kinross [2]	Managing Director & Director of Strategy
Tony Toohey [3]	Executive Chairman

[1] Current Chairman, Mr. Down, and Director, Mr. Daly, will retire at the end of August 2019

[2] Current CEO & Managing Director, Mr. Kinross, transitions to a new role as Director of Strategy on 20 August 2019.

[3] Mr. Toohey commences as Executive Director and Chairman on 1 September 2019.

1.2 Other key management personnel (KMP)

Key Management Personnel (KMP)	
Patrick Howard [1]	Chief Executive Officer
James Aleman [2]	Chief Operating Officer
Andrew Ritter [3]	Interim Chief Financial Officer & Company Secretary
Judy Amos [4]	Acting Chief Financial Officer
Darren Basford [5]	Acting Chief Financial Officer

[1] Mr. Howard commenced as Chief Executive Officer on 19 August 2019.

[2] Mr. Aleman ceased in his role as Chief Operating Officer on his resignation on 2 August 2019.

[3] Mr. Ritter was appointed Company Secretary on 27 March 2017 and Interim Chief Financial Officer on 17 August 2017. Mr. Ritter ceased in his role as Interim Chief Financial Officer on 31 October 2018 and was replaced by Ms. Amos. Mr. Ritter remains in his role as Company Secretary.

[4] Ms. Amos commenced as Acting Chief Financial Officer on 1 November 2018 and ceased in the role on 15 March 2019.

[5] Mr. Basford was appointed Acting Chief Financial Officer on 15 March 2019 upon the resignation of Ms. Amos.

2. Remuneration policy and link to performance

The remuneration committee is made up of independent non-executive directors and was formed post the successful listing of MSL Solutions Limited on the Australian Stock Exchange. It is the role of the committee to review and determine the remuneration policy and structure annually to ensure it remains aligned to business needs, and meets the Company's remuneration principles. From time to time, the committee may also engage external remuneration consultants to assist with this review.

In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent,
- aligned to the Company's strategic and business objectives and the creation of shareholder value,
- transparent and easily understood, and
- acceptable to shareholders.

Figure 1: Remuneration Framework

Element	Purpose	Performance	Potential value	Changes for FY2019
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	Reviewed in line with market positioning
Short Term Incentive (STI)	Cash based reward for in-year performance	EBITDA for business unit and Group	CEO: 50% of FR Execs: 20%-60% of FR	STIs were set based on over-achievement of FY19 Budget Gross Margin and EBITDA
Long Term Incentive (LTI)	Alignment to long-term shareholder value	Increase in shareholder value	CEO: 200% of FR Execs: 65%-185% of FR	Refer note below

The remuneration strategy in place for FY19 was a mix of STI and LTI, which is consistent with the strategy used by other listed companies in the Software sector. In FY19 the Board adopted a performance rights plan for long-term incentive purposes.

2.1 Balancing short-term and long-term performance

STIs are set as a percentage of fixed remuneration, in accordance with industry benchmarks, to drive achievement of annual targets, without encouraging undue risk-taking. Current STIs for the CEO and KMPs have been based on achievement of revenue and EBITDA targets, and have been set at 20% to 60% of FR.

LTIs are allocated by the Board and assessed on an annual basis to promote long term shareholder return.

The target remuneration mix for FY19 was reviewed by the Board, based on a strategy of increasing shareholder value and achieving forecast financial targets. The Board will continue to review the target remuneration mix for the CEO, KMP and other management personnel to ensure remuneration packages are consistent with the mix used by other public listed companies in the Software sector.

2.2 Assessing performance

The remuneration committee is responsible for determining the performance requirements and calculation mechanism used to provide STI and LTI rewards based on performance. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data such as financial measures and data from independently run surveys, such as the Australian Information Industry Association salary survey produced by Aon Hewitt.

In the event of serious misconduct or a material mis-statement in the Company's financial statements, the remuneration committee can cancel or defer performance-based remuneration.

3. Elements of remuneration

3.1 Fixed annual remuneration (FR)

Executives generally receive their fixed remuneration as cash. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry, using the Australian Information Industry Association salary survey produced by Aon Hewitt. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

For all executives, superannuation is included in FR.

During FY19, fixed remuneration was adjusted for the following KMPs:

- Chief Executive Officer – the total remuneration package and remuneration mix is consistent with the median level for comparative roles;
- Chief Operating Officer - the total remuneration package and remuneration mix is consistent with the median level for comparative roles;
- Chief Financial Officer – the total remuneration package and remuneration mix is consistent with the median level for comparative roles; and
- Chief Technology Officer – the total remuneration package is consistent with the median level for comparative roles.

3.2 Short-term incentives

Figure 2: Structure of the Short Term Incentive Plan

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td>Maximum opportunity</td><td colspan="4">CEO and other executives: 20% - 60% of fixed remuneration (FR).</td></tr>
<tr><td>Performance metrics</td><td colspan="4">The STI metrics align with our strategic priority of consistent achievement of financial targets.</td></tr>
<tr><td rowspan="2">Applicability</td><td>Metric</td><td>Target</td><td>Weighting</td><td>Reason for selection</td></tr>
<tr><td>Gross Margin
EBITDA</td><td>Group</td><td>10% - 50%
50% - 90%</td><td>Reflects profitable growth in line with forecast.</td></tr>
<tr><td>Payment</td><td colspan="4">Any STI award is payable in cash in the first month after release of the audited results for the financial year.</td></tr>
<tr><td>Calculation</td><td colspan="4">Less than 90% of target – no STI earned.
At 90% of target – 40% of STI earned.
Between 90-100% of target – pro-rata proportion of 60% of STI earned.
At 100% of target – 100% of STI earned.
Above 100% of target – pro-rata adjustment above 100% of STI earned.</td></tr>
<tr><td>Board discretion</td><td colspan="4">The Board has discretion to adjust remuneration outcomes up or down as they see fit to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.</td></tr>
</table>

The Company has completed a number of acquisitions in recent years, and as a result some executives have STI plans based on metrics other than as outlined in Figure 2. Therefore, some one-off bonus or KPI payments have been made for non KMP executives, in accordance with their individual employment contracts.

3.3 Long-term incentives

Executive KMP and other management personnel participate, at the Board's discretion, in the Company's long-term incentive plan ("LTIP"), which may be in the form of options or performance rights. The Board considers performance hurdles as part of the vesting considerations.

The Board maintains that the Group's target remuneration mix for the CEO, KMP and other management personnel is appropriate and consistent with the mix used by other public listed companies in the Software sector, including the use of grants for the purpose of LTI. The Board allocated LTI grants during FY19, in line with these targets.

Figure 3: Structure of the LTIP

Feature	Description
Opportunity / Allocation	The value of LTIP will be determined based on an independent market salary survey. The number of shares or performance rights to be allocated under the LTIP will be determined using the Black-Scholes method for valuation of LTIPs.
Performance hurdle / Vesting Conditions	Total Shareholder Return is to increase by 10% compounding per annum from a base price of $0.25 per share (with no penalty for not achieving the 10% in one year, so long as the overall 10% compounding is achieved by the end of the vesting period). Share price on the vesting date is to be determined based on the 30-day volume weighted average price (VWAP) at which the Company's shares are traded on the Australian Stock Exchange. The plan does allow for performance hurdles to be applied to specific grants and the Board may consider performance hurdles as part of further grants.
Vesting Date and Forfeiture	Performance rights granted during FY19 have a vesting date of 30 June 2022. Performance rights will be forfeited on cessation of employment unless the Board determines otherwise (e.g. retirement due to injury, disability, death or redundancy).

4. Link between remuneration and performance

4.1 Statutory performance indicators

MSL aims to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The Company's annual financial performance and indicators of shareholder wealth for the current financial period are listed below. As the Company listed in May 2017, these performance measures have not been included for prior financial periods. However, these measures are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Figure 4: Statutory Performance Indicators

	FY19	FY18
Adjusted NPATA ($ 'mil)	(12.8)	4.8
NPAT	(17.9)	(0.4)
Dividends per share (cps)	Nil	Nil
Earnings per share (cps)	(7.0)	(0.1)

Net profit after tax excluding amortisation (NPATA) is a measure used for assessing statutory performance since the Group recognises computer software and customer contracts from acquisitions and capitalised software development costs as intangible assets that are amortised to the income statement. The adjustment to calculate NPATA reverses the amortisation charge to provide a normalised view of the operations without the significant charge as a result of the acquired intangibles and capitalised software development costs. Adjusted NPATA excludes significant expense items of $0.3m (FY18 $0.6m) predominantly related to transaction expenses.

The Company's share price on listing was $0.25 per share, and the share price as at 30 June 2019 was $0.12 per share, down from $0.20 per share as at 30 June 2018.

5. Remuneration expenses for KMP

The following table shows details of the remuneration expense recognised for the Group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Figure 5: Executive remuneration

Name	Year	Fixed remuneration					Variable remuneration			Total	% performance related
		Cash Salary	Non-monetary benefits	Annual & long service leave	Post employment benefits	Other *	STI cash bonus	Options	Shares		
Executive Directors											
Craig Kinross [1]	2019	265,892	-	(2,142)	19,651	-	-	23,975	-	307,376	8%
	2018	280,980	-	14,008	19,020	-	-	-	-	314,008	0%
Other Key Management Personnel (KMP)											
James Aleman [2]	2019	245,346	-	5,382	23,308	-	-	21,406		295,442	7%
	2018	195,000	-	5,534	19,263	-	45,000	-	-	264,797	17%
Andrew Ritter [3]	2019	59,572	-	-	-	-	-	-	-	59,572	0%
	2018	243,655	-	-	23,146	-	-	-	-	266,801	0%
Judy Amos [4]	2019	84,970	-	(2,077)	12,772	-	-	-	-	95,665	0%
	2018	-	-	-	-	-	-	-	-	-	0%
Darren Basford [5]	2019	121,500	-	-	-	-	-	-	-	121,500	0%
	2018	-	-	-	-	-	-	-	-	-	0%
Greg Davies [6]	2019	-	-	-	-	-	-	-	-	-	0%
	2018	180,000	-	4,416	18,165	-	-	-	-	202,581	0%
Ashis Govind [6]	2019	-	-	-	-	-	-	-	-	-	0%
	2018	143,880	-	(1,037)	13,669	-	-	-	-	156,512	0%
Kieran Branagan [6]	2019	-	-	-	-	-	-	-		-	0%
	2018	150,192	-	8,557	17,118	30,114 **	30,000	-	-	235,982	13%
Paul Shipley [6]	2019	-	-	-	-	-	-	-	-	-	0%
	2018	18,461	-	-	1,753	-	-	-	-	20,214	0%
TOTAL	2019	777,281	-	1,163	55,731	-	-	45,381	-	879,556	5%
	2018	1,212,169	-	31,478	112,134	30,114	75,000	-	-	1,460,895	5%

*Prior year amounts classified as "Other" relating to salary sacrifice superannuation contributions have been removed from the 2018 comparatives as they were also included within "Cash Salary".

**Other payments were a living-away-from-home allowance when Kieran Branagan was temporarily relocated to the United Kingdom business following its acquisition.

[1] Craig Kinross ceased in his role as Chief Executive Officer on 20 August 2019 and Patrick Howard was appointed Chief Executive Officer on 19 August 2019.
[2] James Aleman ceased in his role as Chief Operating Officer on his resignation on 2 August 2019.
[3] Andrew Ritter was appointed Company Secretary on 27 March 2017 and Interim Chief Financial Officer on 17 August 2017. Andrew Ritter ceased in his role as Interim Chief Financial Officer on 31 October 2018 and was replaced by Judy Amos. Andrew Ritter remains in his role as Company Secretary.
[4] Judy Amos commenced as Acting Chief Financial Officer on 1 November 2018 and ceased in the role on 15 March 2019.
[5] Darren Basford was appointed Acting Chief Financial Officer on 15 March 2019 upon the resignation of Ms. Amos.
[6] Gregory Davies, Ashis Govind, Kieran Branagan and Paul Shipley were KMP in FY18 and ceased to be KMP in FY19.

6. Contractual arrangements with Executive KMPs

Component	CEO & Managing Director	Other KMP
Fixed Remuneration	$300,916	Range between $200,000 and $300,000
Contract Duration	Ongoing contract	Ongoing contract
Notice by the individual/Company	3 months	3 months
Termination of employment (without cause)	Entitlement to pro-rata STI for the year. The Board has discretion to award a greater or lower amount.	
Termination of employment (with cause) or by the individual	STI is not awarded, and all unvested LTI will lapse. Vested and unexercised LTI can be exercised within a period of 10 days from termination.	

Different contractual terms apply to the following individuals:

Darren Basford	Services are provided under a Services Contract that incorporates the Chief Financial Officer duties. Under the services contract, Mr. Basford is not entitled to annual, personal or long services leave, is not entitled to participate in the STI or LTI plans, has a notice period of 30 days, and is responsible for appropriate insurances.
Andrew Ritter	Services are provided under a Services Contract that incorporates the Company Secretary duties. Under the services contract, Mr. Ritter is not entitled to annual, personal or long services leave, is not entitled to participate in the STI or LTI plans, has a 30 days' notice period, and is responsible for appropriate insurances.
Patrick Howard – Chief Executive Officer	Mr. Howard commenced in the role of CEO on the 19th of August 2019 with fixed remuneration as follows: • Fixed base salary of $275k; • Leave and other benefits of $20k; and • Notice period of 6 months.

7. Non-executive Director arrangements

Non-executive directors receive a fixed Board fee inclusive of superannuation and no additional fees for chairing or participating on Board committees (refer to the table below). Options were granted to John Down, Ian Daly and Richard Holzgrefe (785,714 options each) in previous financial years.

The Chairman does not receive additional fees for participating in or chairing committees, and Non-executive directors do not receive performance-based pay or any other allowances.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed prior to the Company's IPO and remain in effect.

The maximum annual aggregate directors' fee pool limit of $250,000 was approved by shareholders at the Company's annual general meeting on 30 November 2015 and has not increased.

Base fees	
Chair	$48,000
Other Non-executive Directors	$48,000
Additional fees	
Audit committee – Chair	Nil
Audit committee – Member	Nil
Remuneration committee – Chair	Nil
Remuneration committee – Member	Nil

All non-executive directors have entered into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the officeholding of director.

Figure 6: Non-executive director remuneration

Name	Year	Fixed remuneration					Variable remuneration			Total	% performance related
		Cash Salary	Non-monetary benefits	Annual & long service leave	Post employment benefits	Other *	STI cash bonus	Options	Shares		
Non-executive Directors											
John Down	2019	48,000	-	-	-	-	-	-	-	48,000	0%
	2018	48,000	-	-	-	-	-	-	-	48,000	0%
Richard Holzgrefe	2019	48,000	-	-	-	-	-	-	-	48,000	0%
	2018	48,000	-	-	-	-	-	-	-	48,000	0%
Ian Daly	2019	48,000	-	-	-	-	-	-	-	48,000	0%
	2018	48,000	-	-	-	-	-	-	-	48,000	0%
Kaylene Gaffney	2019	25,571	-	-	2,429	-	-	-	-	28,000	0%
	2018	43,836	-	-	4,164	-	-	-	-	48,000	0%
Earl Eddings	2019	8,000	-	-	-	-	-	-	-	8,000	0%
	2018	-	-	-	-	-	-	-	-	-	0%
David Trude	2019	43,836	-	-	4,164	-	-	-	-	48,000	0%
	2018	43,836	-	-	4,164	-	-	-	-	48,000	0%
TOTAL	2019	221,407	-	-	6,593	-	-	-	-	228,000	0%
	2018	231,672	-	-	8,328	-	-	-	-	240,000	0%

8. Additional statutory information

8.1 Performance based remuneration granted & forfeited during the year

Figure 7 shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of options that were granted and forfeited during FY19.

Figure 7: Performance based remuneration granted and forfeited during the year

KMP	Position	Short Term Incentive			Long Term Incentive		
		Total Opportunity	Forfeited	Awarded	Total Opportunity	Forfeited	Awarded
Craig Kinross	CEO	140,000	100%	0%	-	-	-
James Aleman	KMP	85,000	100%	0%	-	-	-
Andrew Ritter	KMP	-	N/A	N/A	-	-	-
Judy Amos	KMP	75,000	100%	0%	-	-	-
Darren Basford	KMP	-	N/A	N/A	-	-	-

8.2 Terms and conditions of the share-based payment arrangements

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting & exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
18-Dec-15	18-Dec-15	18-Dec-20	0.220	0.096	100%
21-Oct-15	21-Oct-15	21-Oct-20	0.308	0.035	100%
30-May-16	30-May-16	30-May-21	0.308	0.035	100%
15-May-17	15-May-17	15-May-22	0.350	0.063	100%
20-Dec-18	30-Jun-22	30-Jul-22	0.366	0.079	0%

The number of options over ordinary shares in the Company provided as remuneration to key management personnel is shown in figure 8 below. The options carry no dividend or voting rights until exercised.

When exercisable, each option is convertible into one ordinary share of MSL Solutions Limited.

The exercise price for options granted 18 December 2015, was approved by shareholders at the AGM held November 2015 and related to grants of options to Directors as reward for their significant financial support and contributions over many years and as an incentive for future performance.

The exercise price of all other option grants to date, was based on a 40% uplift over the previous traded price at the time of granting the option. The Board deemed that this was a reasonable estimate of achievable growth as an unlisted entity.

The approved value of the performance rights was $1.082 million when they were granted on 20 December 2018 at a grant price of $0.25. The rights have a performance hurdle of a cumulative annual growth rate of total shareholder return of 10% over the vesting period. The rights will have an exercise price of $0.366 on their expiry date of 30 July 2022.

8.3 Rights to deferred shares

There are no rights to deferred shares for either Directors, key management personnel, or staff.

8.4 Reconciliation of options, deferred shares and ordinary shares held by KMP

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY19. All vested options were exercisable.

Figure 8: Options held by Directors and KMP

Name	Balance at the start of the year	Other changes during the year	Balance on resignation	Balance at the end of the year	Vested and exercisable
John Down	785,714	-	-	785,714	785,714
Richard Holzgrefe	785,714	-	-	785,714	785,714
Ian Daly	785,714	-	-	785,714	785,714
James Aleman	300,000	-	-	300,000	300,000
	2,657,142	-	-	2,657,142	2,657,142

No amounts are unpaid on any shares issued on the exercise of options.

Figure 9: Shareholdings held by Directors and KMP

Name	Balance at the start of the year	Other changes during the year	Balance on resignation	Balance at the end of the year	Held in escrow
John Down	7,385,347	-	-	7,385,347	-
Richard Holzgrefe	12,871,917	395,154	-	13,267,071	-
Ian Daly	9,214,286	-	-	9,214,286	-
Kaylene Gaffney	80,000	-	(80,000)	-	-
David Trude	300,000	-	-	300,000	-
Earl Eddings	-	73,622	-	73,622	-
Craig Kinross	10,748,271	-	-	10,748,271	-
James Aleman	40,000	-	-	40,000	-
	40,639,821	468,776	(80,000)	41,028,597	-

The above table includes consolidated holdings as held by the Directors and key management personnel. None of the shares above are held nominally by the directors or any of the other key management personnel.

8.5 Loans given to/from key management personnel

During the financial year there were no loans made to directors of MSL Solutions Limited and other key management personnel of the group, including their close family members and entities related to them.

8.6 Reliance on external remuneration consultants

During FY19, McCullough Robertson were engaged to provide advice on share-based remuneration requirements. Previously, McCullough Robertson had designed the Company's long-term incentive program for directors and key management personnel.

8.7 Voting of shareholders at last year's annual general meeting

The Company's annual general meeting was held on 29 November 2018. A resolution was put to shareholders to pass the adoption of the Company's remuneration report, which was passed. Proxy votes received were 95.46% in favour of the resolution.

Indemnifying Directors and Officers

During the financial year, the Company paid a premium of $112,049 to insure the Directors and Officers of the Company. The terms of the insurance contract prevent additional disclosure.

In addition, the Company has entered into Deeds of Access, Insurance Indemnity which ensure the Directors and Officers of the Company will incur, to the extent permitted by law, no monetary loss as a result of defending the actions taken against them as Directors and Officers.

Options & Performance rights

To assist in the attraction, retention and motivation of employees, the Company had operated an option plan up to 30 June 2018. From 1 July 2018 the Board adopted a performance rights plan for long-term incentive purposes.

The number of options (which are fully vested and exercisable) over ordinary shares outstanding at 30 June 2019 are as follows:

Grant date	Vesting & exercise date	Expiry date	Exercise price	Number
18-Dec-15	18-Dec-15	18-Dec-20	0.217	2,357,142
21-Oct-15	21-Oct-15	21-Oct-20	0.308	1,250,000
30-May-16	30-May-16	30-May-21	0.308	1,071,430
15-May-17	15-May-17	15-May-22	0.350	300,000

Other than the issue of performance rights on 20 December 2018 as disclosed in section 8.2, no further employee performance rights have been issued up to the date of this report.

Proceedings on behalf of Company

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

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act (2001)*. The Company's auditor did not provide any non-audit services during the financial year.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

PricewaterhouseCoopers Australia

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PricewaterhouseCoopers Australia

1. Audit and other assurance services

	2019 $'000	2018 $'000
Audit and review of financial statements	396	205
Other assurance services	20	0
Total remuneration for audit and other assurance services	**416**	**205**
Total Remuneration PricewaterhouseCoopers Australia	**416**	**205**

Network firms of PricewaterhousCoopers Australia

1. Audit and other assurance services

PricewaterhouseCoopers United Kingdom

	2019 $'000	2018 $'000
Audit and review of financial statements	61	51
Total remuneration for audit and other assurance services	**61**	**51**

PricewaterhouseCoopers Denmark

	2019 $'000	2018 $'000
Audit of financial statements	19	15
Assitance in statutory financial statement filing	3	-
Tax compliance services	3	-
Total remuneration for audit and other assurance services	**25**	**15**
Total Remuneration of network firms PricewaterhouseCoopers Australia	**86**	**65**

It is the Group's policy to engage PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the Group are important. These assignments are principally taxation advice and other compliance services, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Lead Auditor's Independence Declaration

The lead Auditor's independence declaration can be found on the page following this Directors' report and forms part of the Directors' report for the year ended 30 June 2019.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Kenneth John Down Chairman	**Dr Richard Holzgrefe** Director

Dated at Brisbane this 30th day of August 2019.

Auditor's Independence Declaration

As lead auditor for the audit of MSL Solutions Limited for the year ended 30 June 2019, 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.

This declaration is in respect of MSL Solutions Limited and the entities it controlled during the period.

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
30 August 2019

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Financial Statements

Consolidated Statement of Profit or Loss & Other Comprehensive Income

	Note	Jun-19 A$'000	Jun-18 Restated A$'000
Revenue	5a	27,769	32,529
Other income	6	3,092	1,421
Cost of sales		(7,785)	(8,576)
Sales and marketing expenses		(6,322)	(4,819)
Customer support and technical services		(7,551)	(6,488)
Research and development expenses		(5,710)	(4,083)
General and administration expenses		(5,900)	(5,782)
Other gains and expenses (net)	6	(57)	(308)
Net impairment losses on financial and contract assets		(57)	-
Depreciation expense	9a	(117)	(154)
Amortisation expense	9b	(4,755)	(4,558)
Impairment expense	9b	(11,500)	-
Transaction and restructuring costs	6	(246)	(276)
Finance costs		(22)	22
(Loss) before income tax		**(19,161)**	**(1,072)**
Income tax benefit/(expense)	7a	1,219	899
(Loss) for the year		**(17,942)**	**(173)**
Other comprehensive income for the year		59	2,148
Total comprehensive (loss) for the year		**(17,883)**	**1,975**
Loss attributable to:			
Owners of MSL Solutions Limited		(17,883)	1,975
		(17,883)	**1,975**
Total comprehensive (loss) for the period attributable to:			
Owners of MSL Solutions Limited		(17,883)	1,975
		(17,883)	**1,975**
EARNINGS PER SHARE FROM LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share (cents)		(7.0)	(0.1)
Diluted earnings per share (cents)		(7.0)	(0.1)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	Jun-19 A$'000	Jun-18 Restated $'000
ASSETS			
Current assets			
Cash and cash equivalents	8c	2,284	6,647
Trade and other receivables	8a	5,610	4,019
Contract assets	5b	1,766	1,647
Assets classified as held for sale	9f	-	1,881
Other current assets		890	801
Total current assets		10,550	14,995
Non-current assets			
Receivables		646	913
Contract assets	5b	818	1,302
Property, plant and equipment	9a	222	249
Intangible assets	9b	27,974	43,327
Deferred tax asset	9c	1,314	-
Other non-current assets		115	208
Total non-current assets		31,089	45,999
Total assets		41,639	60,994
LIABILITIES			
Current liabilities			
Trade and other payables	8d	4,712	4,889
Borrowings	8e	833	39
Provisions	9e	1,411	4,099
Income tax payable		217	767
Contract liabilities	5b	6,298	6,214
Total current liabilities		13,471	16,008
Non-current liabilities			
Borrowings	8e	914	-
Deferred tax liabilty	9c	2,051	2,211
Provisions	9e	292	305
Total non-current liabilities		3,257	2,516
Total liabilities		16,728	18,524
Net assets		24,911	42,470
EQUITY			
Contributed equity	10a	61,003	60,988
Reserves	10b	2,730	2,486
Accumulated losses	10c	(38,822)	(21,004)
Total equity		24,911	42,470

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Contributed equity $'000	Retained earnings - restated $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Total equity $'000
Balance as at 1 July 2017 - restated as per note 1a	61,085	(20,831)	235	103	40,592
Total comprehensive income for the year					
Profit for the year - restated as per note 1a	-	(173)	-	-	(173)
Other comprehensive income	-	-	2,148	-	2,148
Total comprehensive income for the year	-	(173)	2,148	-	1,975
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	(97)	-	-	-	(97)
Total transactions for the year	(97)	-	-	-	(97)
Balance as at 30 June 2018	**60,988**	**(21,004)**	**2,383**	**103**	**42,470**
Balance as at 30 June 2018 - restated (Note 2b)	**60,988**	**(21,004)**	**2,383**	**103**	**42,470**
Change in accounting policies					
Restatements - AASB9 impact	-	124			124
Total restatements due to change in accounting policies	-	124	-	-	124
Total comprehensive loss for the year					
Loss for the year	-	(17,942)	-	-	(17,942)
Other comprehensive income	-	-	59	-	59
Total comprehensive loss for the year	-	(17,942)	59	-	(17,883)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	15	-	-	-	15
Share-based payments expense	-	-	-	185	185
Total transactions for the year	15	-	-	185	200

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
Prior period has been restated (refer Note 1a))

Consolidated statement of cash flows

	Note	Jun-19 $'000	Jun-18 $'000
Cash flows from operating activities			
Receipts from customers		30,492	37,486
Payments to suppliers, employees and others		(36,366)	(36,965)
Finance costs		(101)	(5)
Interest received		80	74
Income tax paid		-	(183)
Net cash flows from (used in) operating activities	11a	**(5,895)**	**407**
Cash flows from investing activities			
Capital expenditure		(90)	(113)
Purchase of intangibles		(448)	-
Acquisition of subsidiaries, net of cash & cash equivalents		(3,828)	(5,979)
Proceeds for disposal of assets		-	-
Proceeds from disposal of investment		4,248	957
Net cash flows from (used in) investing activities		**(118)**	**(5,135)**
Cash flows from financing activities			
Proceeds from borrowings		1,594	-
Repayment of borrowings		(40)	(191)
Costs paid on issuance of share capital		-	(129)
Net cash flows from (used in) financing activities		**1,554**	**(320)**
Net cash (outflow) for the year		**(4,459)**	**(5,048)**
Cash at beginning of the year		6,647	11,741
Effect of foreign exchange		(58)	(46)
Cash and cash equivalents at end of year	8c	**2,130**	**6,647**

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

The financial statements were approved for issue by the directors on 28 August 2019. The Directors have the power to amend and re-issue the financial statements.

1. Significant changes in the current reporting year

The financial position and performance of the Group was affected by the following events and transactions during the reporting year:

- The Company sold its investment in Zuuse. Cash proceeds of $4.6m were received, and a net gain on sale of $3.1m was included in other income for the year.
- The adoption of the new account standards for financial instruments and revenue from contracts with customers (see note 2).

a) Restatement of prior year results

The primary statements, except for the consolidated statement of cash flows, at 30 June 2018 and for the period 30 June 2018 have been restated to reflect the effect of adjustments identified as part of the 30 June 2018 year end audit. The net impact of the adjustments was not material to the Group's financial statements. However, it was determined that the adjustments should be reflected as the impact of these items could become material in the future. The adjustments principally relate to:

- Timing of revenue recognition for non-recurring revenue (revenue reduction in FY18 of $1,004K with a gross margin reduction of $404k);
- Timing of revenue recognition for recurring revenue (revenue reduction in FY18 of $66k with a gross margin impact of $66k);
- Discounting impact of contracting assets with significant financing components (finance cost reduction in FY18 of $274k); and
- Income tax benefit increase of $100k for the tax impact of the above items.

b) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

As at 30 June 2019, the Group had net cash of $2.1 million plus available finance facilities of $0.3 million (30 June 2018: $6.6 million and $0.5 million). The Group recorded a loss after tax of $17.9 million, which included a non-cash impairment expense of $11.5 million, and operating cash outflows of $5.9 million for the year ended 30 June 2019 (30 June 2018: $0.1 million loss after tax and operating cash inflows of $0.4 million).

The Group has a working capital deficiency of $2.8 million at 30 June 2019 (30 June 2018: $1.0 million). Deferred revenue of $6.3 million (30 June 2018: $6.2 million) included in the working capital deficiency as contract liabilities represent non-cash obligations of the Group relating to revenue to be recognised in the coming 12 months. Removing the non-cash deferred revenue liability, the Group has positive working capital of $3.5 million at 30 June 2019 (30 June 2018: $5.2 million).

The Company has undertaken an extensive review of its workforce and overhead costs and implemented a program to restructure the business to improve profitability in FY20 and better position the Company for future growth opportunities. Following the restructure, the Directors have approved cash flow forecasts that indicate the Group can manage its operating cash flow requirements beyond 12 months from the date of authorisation of these financial statements. The Directors considered the achievability of the revenue and expense assumptions underlying the forecast, and as with any forecast, there are uncertainties within the assumptions required to meet the Group's expectations.

The Company is in the early stages of negotiating a new debt facility to support the Company's growth strategy.

In addition, to maximise shareholder value into the future, the Group has a strong focus on transitioning to recurring revenue through the provision of software as a service (SaaS) contracts rather than perpetual licenses. The Group is actively working with SaaS and HaaS funding providers to minimise the impact on working capital during this transition.

Whether the Group can:

- achieve its revenue and cash flow forecasts for the next 12 months and beyond during its transition to predominantly SaaS revenue; and/or
- successfully negotiate additional sources of funding which may include a new debt facility and/or future capital raising

represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern and therefore, that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

Despite these uncertainties, the Directors are of the view that the company will be successful in the above matters and accordingly have adopted the going concern basis for the preparation of the financial statements.

2. Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

c) Impact on the financial statements

As a result of the changes in the Company's accounting policies, prior year financial statements have been restated. As explained in note 2(b) below, AASB 9 and 15 were adopted retrospectively with the cumulative effect of initially applying the standards recognised at the date of initial application (1 July 2018). The reclassifications and the adjustments arising from the new impairment rules in AASB 9 are therefore not reflected in the restated balance sheet as at 30 June 2018 but are recognised in the opening balance sheet on 1 July 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and total disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

	30 June 2018 Adjusted* $'000	AASB 15 $'000	30 June 2018 Restated $'000	AASB 9 $'000	1 July 2018 Restated $'000
ASSETS					
Current assets					
Trade and other receivables	5,666	(1,647)	4,019	(176)	3,843
Contract assets	-	1,647	1,647	-	1,647
Total current assets	**14,995**	**-**	**14,995**	**(176)**	**14,819**
Current liabilities					
Deferred revenue	6,214	(6,214)	-	-	-
Contract liabilities	-	6,214	6,214	-	6,214
Total current liabilities	**16,008**	**-**	**16,008**	**-**	**16,008**
Non-current liabilities					
Deferred tax liabilty	2,211	-	2,211	(52)	2,159
Total non-current liabilities	**2,516**	**-**	**2,516**	**(52)**	**2,464**
Total liabilities	**18,524**	**-**	**18,524**	**(52)**	**18,472**
Net assets	**42,469**	**-**	**42,469**	**(124)**	**42,345**
EQUITY					
Accumulated losses	(21,004)	-	(21,004)	(124)	(21,128)
Total equity	**42,469**	**-**	**42,469**	**(124)**	**42,345**

*Balance reflects adjustments in note 1

d) AASB 9 *Financial instruments* – impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2c) below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact of the Group's retained earnings as at 30 June 2018 and 1 July 2018 is as follows:

	2018 $'000
Closing retained earnings 30 June 2018 - AASB139/AASB118	**(21,004)**
Increase in provision for trade receivables and contract assets	(99)
Increase in provision for contract assets with significant finance components	(39)
Increase in provision for debt investments at amortised cost	(38)
Increase in deferred tax assets relating to impairment provisions	52
Adjustments to retained earnings from adopotion of AASB 9 on 1 July 2018	**(124)**
Opening retained earnings 1 July 2018 - AASB 9	**(21,128)**

i. Impairment of financial assets

The group has three types of financial assets that are subject to AASB 9's new expected credit loss model:

- Trade receivables for sales from all revenue streams;
- Contract assets for sales from all revenue streams; and
- Debt investments carried at amortised cost

The Group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 2b) above.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables and contract assets without significant financing components

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and unbilled software and hardware sales and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

On that basis, the loss allowance as at 1 July 2018 was determined as follows for both trade receivables and contract assets. The ECL percentage is applied to the receivables and the contract assets in their functional currency with the loss allowance then translated to presentation currency:

TRADE RECEIVABLES - 30 JUNE 2018 (AUD)	Total	Current	< 1 Month	1 Month	2 Months	3 Months	Older
ECL %		1%	2%	5%	10%	15%	20%
Gross carrying amount AUD	4,324	1,911	1,429	188	193	92	511
Total provision AUD	(194)	(19)	(29)	(9)	(19)	(16)	(102)

Contract asset without financing components AUD	Total
ECL %	1%
Gross carrying amount AUD	1,084
Total provision AUD	(11)

The loss allowances for trade receivables and contract assets as at 30 June 2018 reconcile to the opening loss allowances on 1 July as follows:

	Contract Assets	Trade receivables	Total
At 30 June 2018 provision held	-	106	106
Amount restated through opening retained earnings	11	88	99
Opening loss allowance as at 1 July 2018 calculated uner AASB 9	11	194	205

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Contract assets with significant financing components

In addition to trade receivables and contract assets without significant financing components there were several contract assets that do include financing components. The Group has elected the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance.

Based on the credit history and information available to the Group as at 30 June 2018 the following allowance calculations have been determined:

	Contract value	Allowance %	AUD
1-3 year contracts	1,202	2%	24
1-7 year contracts	735	2%	15
Total			**39**

Given the longstanding relationship with the customers that make up these contract assets and the payment history demonstrated by those customers the estimated credit loss has been assessed as extremely low.

The impact on opening accumulated losses as at 1 July 2018 is as follows:

At 30 June 2018 - provision held	-
Amounts restated through opening retained earnings	39
Opening loss allowance as at 1 July 2018 calculated under AASB 9	**39**

Debt investments carried

All of the Group's other debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

On that basis the loss allowance at 30 June 2018 was determined as follows:

	Previous carrying amount 30/06/2018	Reclassification	Remeasurement	AASB9 carrying amount 1/07/2018
Loan Receivable	872	-	-	-
Initial loan	847	-	-	-
Interest	25	-	-	-
Expected credit loss	-	-	(38)	-
Remeasurement	-	-	-	-
Closing balance	-	-	-	834
	872	**-**	**(38)**	**834**

e) AASB 9 *Financial instruments* – accounting policies applied from 1 July 2018

i. *Investments and other financial assets*

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
- Those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group classifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principle and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. At the reporting date the Group did not have any instruments classified as FVOCI.

Impairment

From 1 July 2018, the group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

f) AASB 15 Revenue from Contracts with Customer – impact of adoption

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial year. Application of the retrospective application of AASB 15 did not have any impact to current period and prior period. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2018):

	Note	AASB118 carrying amount 30 June 2018	Reclassification	Remeasurement	AASB 15 carrying amount 1 July 2018
		$'000	$'000	$'000	$'000
Trade and other receivables	i	5,666	(1,647)	-	4,019
Contract assets	i	-	1,647	-	1,647
Deferred revenue	i	6,214	(6,214)	-	-
Contract liabilities	i	-	6,214	-	6,214

i. Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of AASB 15 and AASB 9:

- Contract assets recognised in relation to accrued revenue were previously presented as part of trade and other receivables;
- Contract liabilities in relation to post-sales support and subscriptions were previously presented as part of deferred revenue.

g) AASB 15 Revenue from Contracts with customers – accounting policies

The Group recognises revenue from either individual or multiple element arrangements such as hosting and installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for using the methods outlined below for each individual element contained within the contract.

Customer contracts annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from customer care and support contracts over the period of time governed by the contract, as the customer is receiving and consuming the benefit provided over that time. Customers are invoiced prior to the commencement of the support period with this invoiced amount deferred until support has been provided.

Measurement of revenue: Revenue is measured per supported license module. Various modules have differing support prices. The Group has a cancellation policy of 90 days.

Subscription annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from SaaS or subscription contracts over the period of time governed by the contracts from which the customer is receiving and consuming benefits. Customers receive several products or services that are not distinct from each other and as such are recognised as a bundled arrangement. Customers are invoiced prior to the commencement of the subscription period with this invoiced amount deferred until the service has been provided.

Measurement of revenue: Revenue is measured for each subscription license module. Various modules have differing subscription prices.

Booking fees/referral fees

Timing of recognition: The Group accounts for booking and referral revenue when the booking or referral has been completed. This revenue is recognised at a point in time when all obligations have been met.

Measurement of revenue: Booking and referral revenue is based on commission charged for products and services to be provided by a third party, this is an agency arrangement where MSL is an acting as an agent for these providers. As such the net revenue of the agency arrangement is recognised.

System installations/professional services – (contract liability/contract asset)

Timing of recognition: Revenue from system installations is recognised over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

Measurement of revenue: Estimates of revenues, cost or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in the estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Judgements: The Group has determined that it is a separate performance obligation where:

- the services are generic;
- they could be provided by a third party; and
- they do not significantly modify the software or hardware provided to the customer.

Software fees and royalties

Timing of recognition: The Group sells a range of software applications on a perpetual license basis. Sales are recognised when control of the software has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The software license is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contract, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Hardware fees

Timing of recognition: The Group sells a large range of hardware applications. Sales are recognised when control of the hardware has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The hardware is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contracts, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Advertising

Timing of recognition: The Group recognises revenue over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

Measurement of revenue: Revenue is measured in line with the executed insertion orders and is based on market rates.

3. Segment information

a) Description of segments and principal activities

The Group's executive management team, consisting of the Chief Executive Officer, the (Acting) Chief Financial Officer, Chief Operating Officer, General Manager, General Manager Human Resources, General Manager Research & Development, General Manager Marketing & Corporate Affairs and Chief Technology Officer, examines the

Group's performance from an industry perspective with entities in similar markets grouped on a global basis. The following are the identified reportable segments:

1. **MPower Venue**: services the stadia and arena and registered clubs (excluding golf clubs) on a global basis.
2. **MPower Golf**: services the golf clubs and associations market on a global basis.
3. **MPower Emerging Markets** services the aged care industry and the sports & association industry on a global basis.
4. **Corporate**: provides corporate governance overheads for all other segments on a global basis.

Management primarily uses a measure of revenue and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance on a monthly basis. Information about their key performance indicators is detailed below.

b) Segment revenue and Segment Adjusted EBITDA

Year ended 30 June 2019	MPower Venue A$'000	MPower Golf A$'000	Emerging Markets A$'000	Corporate A$'000	Total A$'000
Revenue from external customers	17,519	10,250	-	-	27,769
Timing of revenue					
Non-recurring revenue	8,018	2,126	-	-	10,144
Recurring revenue	9,501	8,124	-	-	17,625
Other revenue	-	-	-	3,092	3,092
Adjusted EBITDA	7,177	7,150	(358)	(16,433)	(2,464)

Year ended 30 June 2018	MPower Venue A$'000	MPower Golf A$'000	Emerging Markets A$'000	Corporate A$'000	Total A$'000
Revenue from external customers	22,069	10,460	-	-	32,529
Timing of revenue					
Non-recurring revenue	13,432	3,272	-	-	16,704
Recurring revenue	8,621	7,204	-	-	15,825
Other revenue	-	-	-	1,421	1,421
Adjusted EBITDA	11,330	8,369	-	(15,498)	4,201

Segment Adjusted EBITDA excludes the effect of significant items which may have an impact on the quality of earnings such as transaction costs and the net effect of foreign exchange and fair value movements through the income statement (refer to Note 2(c)). The comparison for the prior year (FY18) has been restated in line with Note 1. Other income is excluded from the segment results.

Geographical earnings

Revenue of Verteda Holdings Limited of $8,503k was primarily derived from the United Kingdom. The original currency of pounds sterling has been converted to the presentation currency of the Group at 30 June 2019 as per the Group's accounting policy detailed in Note 25.

Revenue of GolfBox A/S of $3,604k was primarily derived from Scandinavian and European countries. The original currency of Danish krone has been converted to the presentation currency of the Group at 30 June 2019 as per the Group's accounting policy detailed in Note 25.

The Group also derives small amounts of revenue from the United States and the Middle East.

c) Segment Adjusted EBITDA reconciliation to profit/(loss) before tax

Reconciliation of segment adjusted EBITDA to Profit /(Loss) before income tax	Jun-19	Jun-18 Restated
	A$'000	A$'000
Segment adjusted EBITDA	(2,464)	4,201
Transaction and restructuring costs	(246)	(276)
Foreign exchange losses	(57)	(215)
Fair value movement on financial liability	-	(92)
Finance costs (net)	(22)	22
Depreciation & amortisation	(4,872)	(4,712)
Impairment	(11,500)	-
Loss before income tax	**(19,161)**	**(1,072)**

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same ways as in the consolidated statement of profit or loss and other comprehensive income.

Refer to Note 6 for further details on the above significant items (excluding depreciation and amortisation).

4. Business Combinations

MSL's growth strategy is based upon four key components: strong organic growth in existing sales segments, cross-selling opportunities between sales segments, expansion of the business intelligence and analytics platform and accelerated growth through acquisitions.

MSL uses acquisitions to grow the marketplace of clients, acquire new software capabilities and knowledge and to enter new markets and geographies.

The cash out flows for all acquisitions throughout the financial year (net of cash acquired) are detailed below:

Acquisition	Payments made during FY19		
	Deferred $'000	Contingent $'000	Total $'000
Rockit Pty Ltd	50	25	75
GolfBox A/S	541	1,989	2,530
Pallister Games	-	315	315
Xcite Media Pty Ltd	-	100	100
Pricap Services Pty Ltd	450	340	790
	1,041	**2,769**	**3,810**

The balance of acquisition payments owing as at the reporting date is as follows:

	Deferred $'000 Note 8(d)	Contingent $'000 Note 9(e)	Total $'000
Pallister Games	-	345	345

Specifics in relation to each of these acquisitions and contingent considerations are discussed in further detail below.

a) Contingent consideration

The below table illustrates the contingent consideration movement for the financial years ended 30 June 2018 and 30 June 2019:

	Rockit $'000	GolfBox $'000	Pallister Games $'000	Pricap $'000	Verteda $'000	Xcite $'000	Total $'000
Balance 1 July 2017	(6)	(1,896)	(1,150)	-	(2,169)	-	(5,221)
Add:							
Current contingent consideration	(31)	-	-	(450)	-	(100)	(581)
Fair value adjustment	-	(94)	-	-	-	-	(94)
Foreign exchange through profit and loss	-	1	-	-	86	-	87
Less:							
Contingent consideration paid	25	-	-	-	2,084	-	2,109
Gains/(losses) accounting profit or (loss)	-	-	490	-	-	-	490
Balance 30 June 2018	(12)	(1,989)	(660)	(450)	-	(100)	(3,211)
Add:							
Current contingent consideration	(13)	-	-	-	-	-	(13)
Less:							
Contingent consideration paid	25	1,989	315	450	-	100	2,879
Balance 30 June 2019	**-**	**-**	**(345)**	**-**	**-**	**-**	**(345)**
Current - payable within 12 months	-	-	(180)	-	-	-	(180)
Non-current - payable after 12 months	-	-	(165)	-	-	-	(165)
	-	**-**	**(345)**	**-**	**-**	**-**	**(345)**

Rockit Pty Ltd ("Rockit")

As part of the deed of variation previously executed with the vendors the contingent consideration has been increased on a monthly basis in line with performance targets detailed in this deed. The total amount of contingent consideration at 31 December 2018 was $25k being an increase of $13k from 30 June 2018.

GolfBox A/S, Pricap Services Pty Ltd and Xcite

All contingent consideration and deferred payments to the vendors are now complete.

Ray Pallister Pty Ltd ("Pallister Games")

The contingent consideration for Pallister Games of $1,150k is assessed based on the EBITDA performance for the financial years 2018, 2019 and 2020. As part of the amended earnout agreement, payment for the achievement of FY18 targets was paid in August 2018. The Group has determined that based on the results for the year ended 30 June 2019 the earnout target under the deed of variation of $180k is payable. After payment of the FY19 earnout, the remaining provision for earnout of $180k relates to the year ending 30 June 2020.

b) Transaction and restructuring costs

During the financial year ended 30 June 2019 the Company incurred $246k (FY18 restated $276k) of transaction costs that related to due diligence costs for acquisitions that did not proceed and are still in progress. These costs included professional advisory fees and travel incurred to perform the required due diligence and affect the completion of the acquisitions.

5. Revenue from contracts with customers

a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Consolidated	
	30 Jun 19	30 Jun 18 Restated
	$'000	$'000
Recurring revenue		
Customer contracts annuities	9,761	9,248
Subscription annuities	7,864	6,577
Total - recurring revenue	**17,625**	**15,825**
Non-recurring revenue		
Booking Fees	190	232
System Installations	2,518	3,565
Software Fees and Royalties	1,740	6,613
Hardware Fees	4,984	5,351
Advertising	484	822
Other	228	121
Total - non-recurring revenue	**10,144**	**16,704**
Revenue from Operating Activities	27,769	32,529

Revenues from external customers comes from the sale of software, hardware, professional services, advertising, subscription annuities and customer contract annuities. The revenue from these services relate to the sale of the Groups own internally generated software in addition to third party suppliers of software and hardware.

b) Assets and liabilities related to contract with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019	2018 Restated
	$'000	$'000
Current contract asset relating to fullfilled contracts	1,785	1,647
Loss allowance	(19)	-
Total current contract assets	**1,766**	**1,647**
Non-current contract assets relating to fullfilled contracts	842	1,302
Loss allowance	(24)	-
Total non-current contract assets	**818**	**1,302**
Total contract assets	**2,584**	**2,949**
Contract liabilites - post sales support	6,027	5,840
Contract liabilities - customer monies held	271	374
Total contract liabilities	**6,298**	**6,214**

i. Significant changes in contract assess and liabilities

The Group recognised a loss allowance for contract asses following the adoption of AASB 9, see Note 2b for further information.

Contract liabilities relate to the post sales contracted support and subscription services that has been invoiced but yet to be fulfilled. In addition, IT consulting contracts are made of those contracts that where work remains to be completed that has been invoiced.

ii. Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019 $'000	2018 Restated $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Post sales support	6,027	5,505
Customer monies held	34	-

c) Accounting policies and significant judgements

The Group recognises revenue from either individual or multiple element arrangements such as hosting and installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for using the methods outlined below for each individual element contained within the contract.

Customer contracts annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from customer care and support contracts over the period of time governed by the contract, as the customer is receiving and consuming the benefit provided over that time. Customers are invoiced prior to the commencement of the support period with this invoiced amount deferred until support has been provided.

Measurement of revenue: Revenue is measured per supported license module. Various modules have differing support prices. The Group has a cancellation policy of 90 days.

Subscription annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from SaaS or subscription contracts over the period of time governed by the contracts from which the customer is receiving and consuming benefits. Customers receive several products or services that are not distinct from each other and as such are recognised as a bundled arrangement. Customers are invoiced prior to the commencement of the subscription period with this invoiced amount deferred until the service has been provided.

Measurement of revenue: Revenue is measured for each subscription license module. Various modules have differing subscription prices.

Booking fees/referral fees

Timing of recognition: The Group accounts for booking and referral revenue when the booking or referral has been completed. This revenue is recognised at a point in time when all obligations have been met.

Measurement of revenue: Booking and referral revenue is based on commission charged for products and services to be provided by a third party, this is an agency arrangement where MSL is an acting as an agent for these providers. As such the net revenue of the agency arrangement is recognised.

System installations/professional services – (contract liability/contract asset)

Timing of recognition: Revenue from system installations is recognised over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

Measurement of revenue: Estimates of revenues, cost or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in the estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Judgements: The Group has determined that it is a separate performance obligation where:

- the services are generic;
- they could be provided by a third party; and
- they do not significantly modify the software or hardware provided to the customer.

Software fees and royalties (contract asset)

Timing of recognition: The Group sells a range of software applications on a perpetual license basis. Sales are recognised when control of the software has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The software license is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contract, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Hardware fees (contract asset)

Timing of recognition: The Group sells a large range of hardware applications. Sales are recognised when control of the hardware has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The hardware is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contracts, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Advertising (contract asset)

Timing of recognition: The Group recognises revenue over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

Measurement of revenue: Revenue is measured in line with the executed insertion orders and is based on market rates

6. Other significant income and expense items

The Group has identified the following items included in the Consolidated Statement of Profit or Loss, which are material due to the significance of their nature and/or amount:

	Consolidated	
	30 Jun 19	30 Jun 2018 Restated
	$'000	$'000
Accounting gains included in other income		
Gain on reversal of earnout provisions/sale of assets	10	490
Settlement of professional matters/grant income	11	270
Net gain on sale of investments (Zuuse)	3,071	627
Interest	-	34
	3,092	**1,421**
Significant expense items		
Transaction and restructuring costs	(246)	(276)
Foreign exchange gains / (losses)	(57)	(215)
Fair value movement on financial liability	-	(93)
	(303)	**(584)**

The Company sold 8,216,210 shares at a price of between $0.59 and $0.65 per share. Cash proceeds of $4.6m were received, and a net gain on sale of $3.1m was included in other income for the year after the effect of $0.3m of transaction costs associated with the realisation of cash.

An accounting gain of $10k resulted from the sale of non-core software to an external party.

In addition, during the financial year the Company has accrued $20k of expected grant income for the Export Marketing & Development Grant (EMDG). During FY19 the Company received $37k of the original $46k accrued in relation to the FY17 and FY18 claim this has resulted in net income of $11k in association with the EMDG for FY19.

d) Foreign exchange losses

Included in the consideration for the acquisition of GolfBox are deferred acquisition payments (refer to Note 8d) and contingent consideration based on performance targets (refer to Note 9e). As these provisions are payable in the acquiree's domicile currency, Danish Krone, the Group applies its policy in relation to foreign exchange currencies and revalues these provisions at the end of each reporting period with any foreign exchange gain or loss recorded as an realised or unrealised depending on what amounts have been paid.

The fair value movement in the prior period related to contingent consideration for the GolfBox acquisition being an increase in the provision being increase by $94k to reflect an increased financial performance compared to when the contingent consideration provision accounted for on acquisition.

7. Income tax expense/(benefit)

a) Income tax expense/(benefit)

	Consolidated 30 Jun 19 $'000	Consolidated 30 Jun 2018 Restated $'000
Income tax expenses/(benefit)		
Current tax (benefit) expense	97	691
Deferred tax (benefit) expense	(1,725)	(1,590)
Adjustments to current tax expense of prior period	(238)	-
Adjustments for deferred tax expense of prior period	647	-
Total income tax expense/(benefit)	**(1,219)**	**(899)**
Decrease (increase) in deferred tax assets (Note 9c)	(914)	(378)
(Decrease) increase in deferred tax liabilities (Note 9c)	(811)	(1,212)
Total deferred tax expense/(benefit)	**(1,725)**	**(1,590)**

b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated 30 Jun 19 $'000	Consolidated 30 Jun 2018 Restated $'000
Profit/(loss) from continuing operations before income tax expense	(19,162)	(1,070)
Tax at the Australian tax rate of 27.5% (2018 -30%)	(5,270)	(321)
- Fair value movement on financial liability at fair value through profit and loss	-	28
- Transaction costs	48	77
- Gain on reversal of earnout provision	-	(147)
- R&D tax incentive	(47)	(279)
- Impairment of goodwill	3,163	-
- Other	287	4
	(1,819)	**(638)**
- Adjustments to income tax expense of prior period	410	-
- Change in tax rate	(11)	-
- Difference in tax rate of foreign jurisdictions	201	(261)
Total income tax expense/(benefit)	**(1,219)**	**(899)**
Amounts recognised in equity		
Aggregate current and deferred tax expense/(benefit) arising in the reporting period and not recognised in net profit or loss but recognised in equity:		
- Equity raising costs	-	(37)

iii. Recognition and measurement

MSL Solutions Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group, and accordingly these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The income tax expense or benefit for the year represents the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted for permanent differences, and any net movements in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax benefit is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income, or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Companies within the Group may be entitled to claim tax incentives and/or deductions for investments in qualifying assets or in relation to eligible expenditure. Research and Development expenditure for the Group was $5.7 million, which was offset by a tax credit of $171k for the incentive in Australia.

iv. Estimates and judgements

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain at the time of the transaction/calculation. The Group estimates its tax liabilities based on the Group's understanding of the taxation legislation in each jurisdiction it operates, and where the final tax outcome of these matters is different from the amounts that were initially recorded, any difference will impact the current and/or deferred income tax assets and liabilities in the period the initial determination was made.

In addition, the Group recognises deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy the necessary tests relating to utilisation of tax losses.

For the incentives and deductions available for eligible research and development expenditure, the Group has exercised judgement and calculated an estimate of the eligible expenditure in both Australia and the United Kingdom and included the estimated tax credit and additional tax deduction in its tax calculations for the reporting period.

8. Financial assets and liabilities

The Group holds the following financial assets and liabilities:

Financial assets 2019	Notes	Assets at fair value through profit and loss $'000	Financial assets at amortised cost $'000	Total $'000
Trade and other receivables	8a & 8b	-	6,256	6,256
Contract assets	8a & 8b	-	2,585	2,585
Cash and cash equivalents	8c	-	2,284	2,284
2018 Restated		$'000	$'000	$'000
Trade and other receivables	8a & 8b	-	4,932	4,932
Contract assets	8a & 8b	-	2,949	2,949
Cash and cash equivalents	8c	-	6,647	6,647

Financial Liabilities 2019	Notes	Liabilities at fair value through profit and loss $'000	Liabilities at amortised cost $'000	Total $'000
Trade and other payables	8d	-	4,712	4,712
Borrowings	8e	-	1,747	1,747
Contingent Consideration - Earnout provision	9e	345	-	345
2018 Restated		$'000	$'000	$'000
Trade and other payables	8d	-	4,889	4,889
Borrowings	8e	-	39	39
Contingent Consideration - Earnout provision	9e	3,211	-	3,211

The Group's exposure to various risks associated with the financial instruments is discussed in Note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Details of adjustments made to prior period figures as a result of the adoption of AASB9 and AASB 15 can be found in Note 2.

a) Trade receivables

	Consolidated	
	30 Jun 19 $'000	30 Jun 2018 Restated $'000
Current		
Trade receivables	5,521	4,125
Loan receivable - related party	272	-
Loss allowance	(183)	(106)
Total current receivables	**5,610**	**4,019**

	Consolidated	
	30 Jun 19	30 Jun 2018 Restated $'000
Current		
Current - contract assets	1,785	1,647
Loss allowance	(19)	-
Total current contract assets	**1,766**	**1,647**

Further information relating to loans to related parties is set out in Note 19.

i. Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. In general, trade receivables are due for settlement within 30 days, however in some circumstances the Group has granted extended terms of up to 90 days and for one particular customer a six-month term has been granted. Accordingly, all trade receivables are all classified as current, with the exception of a receivable of $39k which is deemed to be non-current due to the payment arrangement. The Group's accounting policies in relation to trade receivables are outlined in Note 25.

ii. Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

iii. Impairment and risk exposure

The Group routinely assesses the collectability of its receivables and has included an estimated credit loss of $254k for the reporting period. Information about the impairment of trade receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 13b and 13c.

b) Contract assets (2018: Trade and other receivables)

	Consolidated	
	30 Jun 19	30 Jun 18
	$'000	$'000
Non-current		
Trade receivables	40	40
Loan receivable - related party	633	872
Loss allowance	(27)	-
Total non-current receivables	**646**	**912**

	Consolidated	
	30 Jun 19	30 Jun 18
	$'000	$'000
Non-Current		
Contract assets	842	1,302
Loss allowance	(24)	-
Total non-current contract assets	**818**	**1,302**

i. Classification of contact assets

The Group classifies contract assets as those assets recognised in relation to accrued revenue whish was previously presented as part of trade and other receivables.

ii. Fair value of contract assets

Due to the short-term nature of the majority of the Group's contract assets, their carrying amount is considered to be the same as their fair value. These contacts are classified as contracts without significant financing components.

In addition to contract assets without significant financing the Group carries several contract assets that due to their long-term nature their fair value is not equivalent to their carrying value. These contracts are classified as contract assets with significant financing components.

iii. Impairment and risk exposure

The Group routinely assesses the collectability of its receivables and has included an estimated credit loss of $254k for the reporting period. Information about the impairment of contract assets, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 13b and 13c

c) Cash and cash equivalents

iv. Reconciliation to cash flow statement

The figures in the table shown below reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year, as follows:

	Consolidated	
	30 Jun 19	30 Jun 2018 Restated
	$'000	$'000
Cash and cash equivalents	2,284	6,647
Bank overdrafts	(154)	-
Balances per statement of cash flows	2,130	6,647

v. Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. Refer to Note 25 for the Group's other accounting policies on cash and cash equivalents.

d) Trade and other payables

	Consolidated	
	30 Jun 19	30 Jun 2018 Restated
	$'000	$'000
Current		
Trade payables	2,593	1,795
Other payables	2,119	2,053
Deferred consideration on business combinations	-	1,041
	4,712	**4,889**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to the same as their fair values, due to the short-term nature.

e) Borrowings

	Consolidated 30 Jun 19 $'000	Consolidated 30 Jun 2018 Restated $'000
Current		
Secured		
Bank overdraft - unsecured	154	-
Bank bill loan - secured	667	-
Lease liabilities - secured	12	39
Total secured current borrowings	833	39
Total current borrowings	833	39
Non-current		
Secured		
Bank bill loan - secured	914	-
Total secured non-current borrowings	914	-
Finance lease - non-cancellable		
Payable:		
Within one year	13	31
Later than one year but not later than 5 years	-	11
Total future minmum lease payments	13	42
Total future finance charges	(1)	(3)
Lease liabilities	12	39
Lease liabilities are represented in the financial statements as follows:		
Current	12	39
	12	39

i. Bank bill loan

In October 2018, the Group entered a new loan facility to refresh working capital used for cash funded acquisitions. The total amount of the facility was $2 million which amortises over a 36-month period. At the date of the accounts the bank bill loan was fully drawn, and repayments of the facilities have commenced.

The loan is a variable rate, Australian-dollar denominated loan which is carried at amortised cost. It therefore did not have any impact on the Group's exposure to foreign exchange and cash flow interest rate risk.

Facility fees of $11k were payable to the lender upon signing the new loan agreement. These were accounted for in general and administrative expenses. As at the reporting date there is no current portion of the loan payable, with the balance classed as non-current borrowings.

The loan agreement contains no financial covenants, and the facility is secured by a General Security Agreement and Guarantee and Indemnity over the Australian entities of the Group.

ii. Finance leases

The Group leases various plant and equipment with a carrying value of $12k (2018 – $39k) under finance leases expiring in less than 12 months as at the reporting date.

iii. Risk exposures

Details of the Groups exposure to risks arising for current and non-current borrowings are set out in Note 13.

f) Recognised fair value measurements

ii. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	30 Jun 19			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Contingent consideration - Earnout provision	-	-	(345)	(345)
Total Financial liabilities	-	-	(345)	(345)

	30 Jun 2018 Restated			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Contingent consideration - Earnout provision	-	-	(3,211)	(3,211)
Total Financial liabilities	-	-	(3,211)	(3,211)

There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1 – The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques which maximize the use of observable market date and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument ins included in level 2.

Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

iii. Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The fair value of remaining financial liabilities is determined using discounted cash flow analysis.

All fair value estimates are included in level 3 as they are contingent consideration payable where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

iv. Valuation processes

The finance department of the Group includes employees that perform the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO), who in turn reports to the Chief Executive Officer and the Audit and Risk Committee (ARC). Discussions of valuation processes and results are held between the CFO and the Company's auditor at least once every six months, in line with the Groups half-yearly reporting period.

The inputs used to evaluate the main level 3 financial liability (being contingent consideration) are based on the expected cash inflows from the terms of the sale contract and the Company's knowledge of the business and how the current economic environment is likely to impact it.

9. Non-financial assets and liabilities

a) Property, plant and equipment

	Leasehold improvements $'000	Plant and equipment $'000	Furniture Fixtures & Fittings $'000	Motor Vehicle $'000	Total $'000
As at 1 July 2017					
Cost or fair value	14	1,079	272	24	1,389
Accumulated depreciation	(8)	(887)	(168)	(20)	(1,083)
Net book amount	6	192	104	4	306
Year ending 30 June 2018					
Opening net book amount	6	192	104	4	306
Reclass	-	(22)	1	-	(21)
Exchange differences	1	16	2	-	19
Additions	46	27	26	-	99
Depreciation charge	(7)	(97)	(49)	(1)	(154)
Closing net book amount	46	116	84	3	249
As at 1 July 2018					
Cost or fair value	60	1,462	364	24	1,910
Accumulated depreciation	(14)	(1,346)	(280)	(21)	(1,661)
Net book amount	46	116	84	3	249
Year ending 30 June 2019					
Opening net book amount	46	116	84	3	249
Exchange differences	-	-	6	-	6
Additions	-	80	4	-	84
Depreciation charge	(7)	(64)	(45)	(1)	(117)
Closing net book amount	39	132	49	2	222
At 30 June 2019					
Cost or fair value	60	1,542	374	24	2,000
Accumulated depreciation	(21)	(1,410)	(325)	(22)	(1,778)
Net book amount	39	132	49	2	222

i. Leased assets.

Furniture, fittings and equipment includes the following amounts where the Group is a lessee is under a finance lease (refer to Note 8e for further details):

Leased assets	Purchase price $'000	Depreciation $'000	Book value $'000
Laptops & peripherals	79	(51)	28

ii. Revaluation, depreciation methods and useful lives.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets and capitalised leased assets is depreciated on a diminishing value basis over their useful lives to the Group, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

- Plant and equipment 27% - 50%
- Furniture, fixtures and fittings 20% - 30%
- Leasehold improvements 7.5% - 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Refer to Note 25 for all other accounting policies relevant to property, plant and equipment.

b) Intangible assets

	Goodwill $'000	Computer software, other $'000	Formation expenses $'000	Contracts and customer relationships $'000	Total $'000
As at 1 July 2017					
Cost or fair value	18,586	9,397	2	21,744	49,729
Accumulated amortisation	-	(3,860)	-	(4,013)	(7,873)
Net book amount	18,586	5,537	2	17,731	41,856
Period ending 30 June 2018					
Opening net book amount	18,586	5,537	2	17,731	41,856
Reclass	-	(21)	-	-	(21)
Disposals	-	(45)	-	-	(45)
Exchange differences	1,362	341	-	1,003	2,706
Additions	1,841	239	-	1,309	3,389
Amortisation charge	-	(1,286)	-	(3,272)	(4,558)
Closing net book amount	21,789	4,765	2	16,771	43,327
As at 1 July 2018					
Cost or fair value	21,789	9,910	2	24,132	55,833
Accumulated amortisation	-	(5,145)	-	(7,361)	(12,506)
Net book amount	21,789	4,765	2	16,771	43,327
Period ending 30 June 2019					
Opening net book amount	21,789	4,765	2	16,771	43,327
Disposals	-	-	-	-	-
Exchange differences	225	43	-	186	454
Additions	-	448	-	-	448
Amortisation	-	(1,378)	-	(3,377)	(4,755)
Impairment	(11,500)	-	-	-	(11,500)
Closing net book amount	10,514	3,878	2	13,580	27,974
As at 30 June 2019					
Cost or fair value	22,014	10,401	2	24,318	56,735
Accumulated impairment	(11,500)	-	-	-	(11,500)
Accumulated amortisation	-	(6,523)	-	(10,738)	(17,261)
Net book amount	10,514	3,878	2	13,580	27,974

i. Amortisation methods and useful lives.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following period/rates:

- Software – 2.5 to 6 years
- Customer contracts – 3 to 11 years

See Note 25 for the other accounting policies relevant to intangible assets and Note 25 for the Group's policy regarding impairments.

ii. Customer contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

iii. Significant estimate: useful life of Software acquired

Software was acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over an eight-year period from date of acquisition. This has been estimated as the weighted average of the expected obsolescence of the acquired software.

iv. *Significant estimate: capitalised development*

In previous financial years all research and development costs were expensed as incurred. As the Group transitions to a SaaS based company, it will provide access to products via a SaaS platform over a prolonged term meaning that, the technical feasibility of products can be established at an earlier phase through pre-defined roadmaps. Costs that are directly associated with the development of this software are recognised as an intangible asset when the following criteria are met:

a) The technical feasibility of completing the intangible asset is achieved so that it will be available for use or sale;
b) The Company intends to complete the intangible asset and then use or sell it;
c) The Company has the ability to use or sell the intangible asset;
d) The Company knows how the intangible asset will generate probable economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
f) The Company is able to measure reliably the expenditure attributable to the intangible asset during its development.

The relevant costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be 60 months. Capitalised software development costs are amortised from when the products to which they relate become available to use. Research costs are expensed as incurred and are largely made up of employee labour which is included in research and development costs in the statement of comprehensive income. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

In addition to acquired software as part of business combinations the Group capitalised $447k in FY19 for the development of software that satisfied the conditions above and commenced amortization during the year.

v. *Impairment tests for goodwill*

As part of the ongoing annual assessment of goodwill by management the Group considers the relationship between its net recoverable amount of its cash generating units based upon discounted cash flows of 5-year forecast EBITDAs and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2019, the net recoverable amount of both the MPower Venue and MPower Golf CGUs was below aggregate book value of its intangible assets and net tangible assets excluding cash, indicating a potential impairment of goodwill for these CGUs. Based on this shortfall an impairment charge of $11.5m is included in the statement of profit or loss under impairment charges.

A segment-level summary of the goodwill allocation is presented below with the associated allocation of the Group impairment charge to the relevant segment.

		Consolidated	
	30 Jun 19	Impairment charges	30 Jun 2018 Restated
	$'000	$'000	$'000
Mpower Golf	4,648	(3,718)	8,273
Mpower Venue	5,866	(7,782)	13,516
Total	10,514	(11,500)	21,789

Goodwill previously reported as part of MPower Media has been consolidated within the MPower Venue segment.

vi. Significant estimate: key assumptions used for fair value calculations

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The recoverable amount of a subsidiary is determined based on fair value calculations that require the use of assumptions. The calculations use cash flow projections based on a one-year financial budget approved by the Board and cash flow projections by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The following table sets out the key assumptions for those segments that have significant goodwill allocated to them:

	2019 Range		2018 Range	
Revenue (% annual growth rate)	2.00%	8.00%	2.50%	3.80%
EBITDA (%)	2.00%	28.00%	2.50%	3.80%
Annual capital expenditure	In line with subsidiary depreciation			
Long term growth rate (%)	2.00%	2.00%	2.50%	2.50%
Post tax discount rate	16.00%	16.00%	13.00%	13.20%

All segments have the same key assumptions.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
EBITDA	Based on past performance and management's expectations for the future.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management. No incremental revenue or cost savings are assumed in the fair value model as a result of this expenditure.
Long-term growth rate	In line with forecast inflation in each of the countries the Group operates.
Post-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate. This rate is derived from the Group's Weighted Average Cost of Capital (WACC) that takes into account both debt and equity. The cost of equity is derived from expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The segment and geographic specific risk is incorporated by applying individual beta factors.

As at the reporting date, the Group, based on the information available, does not consider that any reasonable change in the key assumptions (growth rates and discount rates), after allowing for any consequential impacts on other key assumptions of any such change, would cause the carrying value of the segments to exceed their recoverable amounts.

vii. Significant estimate: impairment charge

The impairment charge of $11.5m was split $7.8m in the Venue segment and $3.7m in the Golf segment. Both impairment charges were due to a softening in demand for the Group's products and services in these segments that has led to the restructuring of the Group's operations. No class of asset other than goodwill was impaired.

As at 30 June, the recoverable amount of the Group was $23.5m split $13.9m to the Venue segment and $9.6m to the Golf segment.

viii. Significant estimate: impact of possible changes in key assumptions

The company has considered a 5% sales revenue increase or decrease in FY20 and a 1% increase or decrease in post-tax discount rate to be reasonably possible changes to the forecast.

The impact on the recoverable amount of the Group and impairment expense under these reasonably possible scenarios is as follows:

Key Assumption change	Downside
Sales revenue + / - 5%	($5.2m)
Post tax discount rate - / + 1%	($1.6m)

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying value of the Group's assets to exceed its recoverable amount after the impairment expense incurred during FY19.

c) Deferred tax balances

i. Deferred tax assets

	Notes	2019 $'000	2018 $'000
The balance comprise temporary differences attributable to:			
Tax losses & offsets		1,396	1,647
Employee benefits		282	288
Property, plant & equipment		640	-
IPO and transaction related expenditure		307	491
Other		502	210
Total deferred tax asset		**3,126**	**2,636**
Set off from deferred tax liability	9c(ii)	(1,637)	(2,636)
Set off against deferred tax liability	9c(ii)	(175)	-
Net deferred tax asset		1,314	-

Movements	Tax losses & offsets $'000	Employee benefits $'000	Property, plant & equipment $'000	IPO and transaction related $'000	Other $'000	Total $'000
As at 1 July 2017	844	325	-	604	114	1,887
(Charged)/Credited						
To profit or loss as deferred tax benefit/(expenses)	486	(37)	-	(166)	95	378
To profit or loss as research and development expenses	333	-	-	-	-	333
To equity	-	-	-	37	-	37
True up as prior period deferred tax	(15)	-	-	16	-	1
As at 30 June 2018	**1,648**	**288**	**0**	**491**	**209**	**2,636**

Movements	Tax losses & offsets $'000	Employee benefits $'000	Property, plant & equipment $'000	IPO and transaction related $'000	Other $'000	Total $'000
As at 1 July 2018	1,648	288	-	491	209	2,636
(Charged)/Credited						
To profit or loss as deferred tax benefit/(expenses)	555	(6)	640	(184)	(90)	914
To profit or loss as research and development expenses	171	-	-	-	-	171
To equity	-	-	-	-	52	52
True up as prior period deferred tax	(978)	-	-	-	331	(647)
As at 30 June 2019	**1,396**	**282**	**640**	**307**	**502**	**3,126**

ii. Deferred tax liabilities

	Notes	2019 $'000	2018 Restated $'000
The balance comprises temporary differences attributable to:			
Intangible assets		(3,856)	(4,212)
Financial assets		-	(569)
Property, plant & equipment		-	(63)
Other		(7)	(3)
Total deferred tax liability		**(3,863)**	**(4,847)**
Set off from deferred tax asset	9c(i)	175	-
Set off against deferred tax asset	9c(i)	1,637	2,636
Net deferred tax liability		**(2,051)**	**(2,211)**

Movements	Intangibles $'000	Financial Assets $'000	Property, plant & equipment $'000	Other $'000	Total $'000
As at 1 July 2017	(4,657)	(663)	(86)	(3)	(5,409)
(Charged)/Credited					
To profit or loss	1,091	94	27	-	1,212
Foreign currency translation	(240)	-	(4)	-	(244)
Acquistion	(406)	-	-	-	(406)
As at 30 June 2018	**(4,212)**	**(569)**	**(63)**	**(3)**	**(4,847)**

Movements	Intangibles $'000	Financial Assets $'000	Property, plant & equipment $'000	Other $'000	Total $'000
As at 1 July 2018	(4,212)	(569)	(63)	(3)	(4,847)
(Charged)/Credited					
To profit or loss	182	569	63	(4)	810
Foreign currency translation	174	-	-	-	174
Acquistion	-	-	-	-	-
As at 30 June 2019	**(3,856)**	**-**	**-**	**(7)**	**(3,863)**

Offsetting within tax consolidated group

MSL Solutions Limited and its wholly owned Australian subsidiaries form a consolidated tax group, whereby the entities are taxed as a single entity. Accordingly, the deferred tax assets and deferred tax liabilities have been offset in the consolidated financial statements.

d) Employee benefit obligations

Employee benefit obligations

30 Jun 19	Current $'000	Non-current $'000	Total $'000
Annual leave	921	-	921
Long-service leave	310	127	437
	1,231	127	1,358

30 Jun 2018 Restated	Current $'000	Non-current $'000	Total $'000
Annual leave	801	-	801
Long-service leave	267	125	392
	1,068	125	1,193

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the reporting period, are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Employee benefit obligations are disclosed on the statement of financial position through inclusion of the annual leave obligation within the trade and other payables liability (note 8c) and the long service leave obligation is included within the provision's liability (note 9e).

Other employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

e) Provisions

	Consolidated	
	30 Jun 19	30 Jun 2018 Restated
	$'000	$'000
Current		
Long service leave	310	267
Annual leave	921	801
Earnout provision	180	3,031
	1,411	**4,099**
Non-Current		
Long service leave	127	125
Earnout provision	165	180
	292	**305**

i. Information about individual provisions and significant estimates

Provision for contingent consideration

Provisions for contingent consideration based on earnout targets have been recognised by the Group for the acquisitions made. Further information and performance conditions regarding the earnout provision can be found in Note 3.

f) Assets held for sale

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Equity securities in Zuuse Pty Ltd	-	1,881

The gain on sale of an asset of $3.1m arose from the sale of 8,216,210 shares in Zuuse Limited between $0.59 and $0.65 per share.

10. Equity

a) Share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2017	**Opening Balance**	249,248,965		61,085
	Less: transaction costs arising on shares issued			(97)
30 June 2018	**Closing Balance**	**249,248,965**		**60,988**
	Shares issued as part of contingent consideration of Pricap	591,397	0.186	110
	Less: transaction costs arising from FAT			(95)
30 June 2019	**Closing Balance**	**249,840,362**		**61,003**

As part of the acquisition of Pricap Services Pty Ltd and based on the Company's share price as at 30 June 2018 ($0.186 per share) 591,397 shares were issued on the basis of the earnout targets being met.

As part of a detailed review of the Financial Acquisitions Threshold (FAT) testing for the Company's Business Activity Statement (BAS), an amount of $95k was identified as exceeding the threshold and thus the Company's BAS payments in FY19 were reduced with this amount being classified in costs of raising capital for the year.

i. Movements in ordinary shares

	Consolidated		Consolidated	
	Jun 19 Shares	Jun 19 $'000	Jun 18 Shares	Jun 18 $'000
Share capital				
Fully paid	249,840,362	61,003	249,248,965	60,988
	249,840,362	61,003	249,248,965	60,988

ii. Ordinary shares

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

iii. Options

Information relating to the MSL Solutions Limited Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in Note 20.

b) Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Consolidated	
	30 Jun 19 $'000	30 Jun 18 $'000
Share based payment reserve	288	103
Foreign currency translation reserve	2,442	2,383
	2,730	**2,486**

Share-based payments

The share-based payments reserve is used to recognise:

- The grant date fair value of options issued to employees but not exercised
- The grant date fair value of shares issued to employees

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 25 and accumulated in a separate reserve with equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

c) Accumulated losses

Movement in retained earnings were as follows:

	$'000
Restated balance as at 1 July 2018	(20,880)
Total comprehensive income for the year	
Profit/(loss) for the year	(17,942)
Total comprehensive income for the year	**(17,942)**
Transactions with owners in their capacity as owners	-
Contribution of equity net of transaction costs	-
As at 30 June 2019	**(38,822)**

11. Cash flow information

a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	Jun-19	Jun-18 Restated
	$'000	$'000
Profit (Loss) after tax	(17,942)	(173)
Adjustments for:		
Depreciation and amortisation	4,873	4,711
Impairment of goodwill	11,500	-
Gain on reversal of earnout provision	-	(490)
Gain on disposal of investment	(3,071)	-
Unrealised FX loss/(gain)	-	282
Realised FX loss/(gain)	58	(67)
Finance costs	-	214
Transaction costs	-	609
Tax	(550)	(798)
Fair value expense	-	94
Change in operating assets and liabilities		
Movement in current assets		
(Increase)/ decrease in trade receivables	(793)	1,391
(Increase)/ decrease in other receivables	1,569	(228)
(Increase)/ decrease in prepayments	(182)	(22)
(Increase)/ decrease in bonds	-	(1,146)
Movement in current liabilities		
Increase/(decrease) in trade payables	714	(525)
Increase/(decrease) in other payables	163	(1,242)
Increase/(decrease) in deferred revenue	85	297
Increase/(decrease) in deferred tax assets	(1,474)	(1,217)
Movement in non-current assets		
(Increase)/ decrease in other receivables	(845)	(1,283)
Net cash from (used in) operating activities	**(5,895)**	**407**

Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

12. Critical estimates, judgements and errors

The preparation of financial statement requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions that may be incorrect. Detailed information about each of these estimates and judgments is included in notes 1 to 11 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there has been actual adjustment this year as a result of an error and of changes to previous estimates.

a) Significant estimates and adjustments

The areas involving significant estimates or judgements are:

- Recognition of revenue
- Collection of long-term receivables
- Estimation of current tax payable and current tax expense
- Estimation of research and development tax credits
- Estimation of capitalised software development expenditure
- Estimated goodwill impairment
- Estimated useful life of intangible asset
- Estimation of contingent purchase consideration in a business combination
- Recognition of deferred tax asset for carried forward tax losses

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

b) Sources of estimation uncertainty

Revenue recognition

Multiple element contracts entered into by the Group require judgement in the identification and separation of contract components related to software licence fees, post sales customer support and other services. The Group assesses each customer contract individually into its components and considers if any components should be aggregated where they cannot be separately determined. Revenue is assigned to each component based upon the stand-alone fair value of the component relevant to the total contract value.

The Group uses the percentage-of-completion method in accounting for its fixed-price contacts to deliver installation and consultancy services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from managements estimates, the amount of revenue recognised in the year would be increased by $252k if the proportion performed was increased, or would be decreased by $252k if the proportion performed was decreased.

13. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in the functional currency	Sensitivity analysis	Monitoring the foreign exchange rates for any material movements
Credit risk	Cash and cash equivalents, trade receivables	Ageing analysis Credit ratings	Diversification of bank deposits, credit limits

Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of credit and borrowing facilities

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group's finance function has been delegated responsibility by the Board for among other issues, managing financial risk exposure within the Group. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

a) Market risk

i. Foreign exchange risk

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

With the acquisition of both GolfBox and Verteda, there are now multiple customers and suppliers in the following currencies:

- Pound Sterling (Verteda's functional currency)
- Danish Krone (GolfBox's functional currency)

The Group's remaining subsidiaries outlined in Note 15(a) have a functional currency of Australian dollars. The Group's presentation currency is Australian dollars.

As suppliers in any of the above currencies are expected to be repaid in the respective entity's functional currencies from local sales, the foreign currency exposure of these suppliers the Group is not exposed to foreign currency risk.

Exposure

The Groups exposure to foreign currency risk is only relation to transactions in foreign currency that differ from the respective entity's functional currencies. The Group's exposure to foreign currency risk at the end of the reporting period is expressed in Australian dollar, was as follows:

2019	DKK $'000	USD $'000
Trade payables	-	(52)
Contingent and deferred consideration	-	-
Net exposure	**-**	**(52)**

2018	DKK $'000	USD $'000
Trade payables	-	(207)
Contingent and deferred consideration	(1,989)	-
Net exposure	**(1,989)**	**(207)**

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2019 $'000	2018 $'000
Realised FX gain (loss)	(81)	67
Unrealised FX gain (loss)	23	(282)

Sensitivity

As at the reporting date, the Group is no longer materially exposed to currency movements compared to prior years.

	Impact on post tax profit		Impact on other components of equity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
KRR/$ exchange rate - increase 5%	-	(70)	-	(70)
KRR/$ exchange rate - decrease 5%	-	70	-	70

The Group's exposure to other foreign exchange movements is not material.

ii. Price risk

The Group does not have exposure to equity securities price risk arising from investments held by the Group and classified in the balance sheet as held-for-sale as at 30 June 2019.

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers including outstanding receivables.

i. Risk management

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as processes for the approval of customers and regular monitoring of counterparty financial stability), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the cash generating unit within the Group, credit terms are generally immediate payment to 30 days from invoice date.

The maximum exposure to credit risks by class of recognised financial asset at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the financial statements.

The Group holds no collateral nor has any significant concentrations of credit risk with any single counterparty or Group of counterparties.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 8(a).

Credit risk related to balance with banks and other financial institutions is managed by the finance function. Current policy is that surplus funds are only invested with counterparties with a rating of A. The following table provides information regarding the credit risk relating to cash holdings:

Cash at bank and short-term bank deposits	2019 $'000	2018 $'000
AA	2,254	5,731
A	27	913
BBB	3	3
Total Cash	**2,284**	**6,647**

ii. Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales from all revenue streams;
- Contract assets for sales from all revenue streams; and
- Debt investments carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and unbilled software and hardware sales and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for both trade receivables and contract assets. The ECL percentage is applied to the receivables and the contract assets in their functional currency with the loss allowance then translated to presentation currency:

TRADE RECEIVABLES - 30 June 2019 (AUD) $'000	Total	Current	< 1 Month	1 Month	2 Months	3 Months	Older
ECL %		1%	2%	5%	10%	15%	20%
Gross carrying amount AUD	**5,516**	2,858	1,813	342	86	63	354
Total provision AUD	**(172)**	(29)	(36)	(18)	(9)	(9)	(71)

TRADE RECEIVABLES - 1 July 2018 (AUD) $'000	Total	Current	< 1 Month	1 Month	2 Months	3 Months	Older
ECL %		1%	2%	5%	10%	15%	20%
Gross carrying amount AUD	**4,324**	1,911	1,429	188	193	92	511
Total provision AUD	**(194)**	(19)	(29)	(9)	(19)	(16)	(102)

Contract asset without financing components - 30 June 2019 (AUD) $'000	Total
ECL %	1%
Gross carrying amount AUD	351
Total provision AUD	(4)

Contract asset without financing components - 1 July 2018 (AUD) $'000	Total
ECL %	1%
Gross carrying amount AUD	1,084
Total provision AUD	(11)

The loss allowances for trade receivables and contract assets as at 30 June 2019 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
30 June 2018 - calculated under AASB 139	-	-	106	114
Amounts restated through opening retained earnings	11	-	88	-
Opening loss allowance as at 1 July 2018 - calculated under AASB 9	**11**	**-**	**194**	**114**
Increase in loan loss allowance recognised in profit or loss during the year	-	-	95	-
Receivables written off during the year as uncollectible	-	-	(86)	(8)
Unused amount reversed	(7)	-	(31)	(0)
At 30 June 2019	**4**	**-**	**172**	**106**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contract assets with significant financing components

In addition to trade receivables and contract assets without significant financing components there were several contract assets that do include financing components. The Group has elected the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance.

Contract asset with financing components - 30 June 2019 (AUD) $'000	Contract value $'000	Allowance	AUD
1-3 year contracts	1,242	2%	24
1-7 year contracts	735	2%	15
	1,977		**39**

Contract asset with financing components - 1 July 2018 (AUD) $'000	Contract value $'000	Allowance	AUD
1-3 year contracts	1,202	2%	24
1-7 year contracts	735	2%	15
	1,937		**39**

The loss allowances for contract assets with significant financing components as at 30 June 2019 reconcile to the opening loss allowances as follows:

	Contract assets with financing	
	2019	2018
	$'000	$'000
30 June 2018 - calculated under AASB 139	-	-
Amounts restated through opening retained earnings	39	-
Opening loss allowance as at 1 July 2018 - calculated under AASB 9	**39**	**-**
Increase in loan loss allowance recognised in profit or loss during the year	-	-
Receivables written off during the year as uncollectible	-	-
Unused amount revereed	-	-
At 30 June 2019	**39**	**-**

The carrying amount of the contract assets as at 30 June 2019 with the associated estimated credit loss is made up of the following:

Contract asset with financing components - 30 June 2019 (AUD) $'000	Carrying value	ECL
1-3 year contracts	516	15
1-7 year contracts	803	24
	1,319	**39**

Contract asset with financing components - 1 July 2018 (AUD) $'000	Carrying value	ECL
1-3 year contracts	616	15
1-7 year contracts	1,201	24
	1,817	**39**

The carrying value represents the discounted cashflows of the contracts with significant finance components, these values will continue to diminish as the customers are invoiced in line with the payment terms outlined in the contracts.

Previous accounting policy for impairment of trade receivable

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Other receivables were assessed collectively to determine whether there was objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses were recognized in a separate provision for impairment. The Group considered if there was evidence of impairment if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 60 days overdue)

Receivables for which an impairment provision was recognized are written off against the provision when there is no expectation of recovering additional cash.

Debt investments

All of the Group's other debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance for other financial assets at amortised cost at 30 June 2019 reconciles to the opening loss allowance on 1 July 2018 and to the closing loss allowance as at 30 June 2019:

	Other receivables
	$'000
Closing loss allowance as at 30 June 2018 (calculated under AASB1	-
Amounts restated through opening retained earnings	38
Opening loss allowance as at 1 July 2018 (calculated under AASB 9)	38
Increase in the allowance recognised in profit or loss during the period	-
Closing loss allowance as at 30 June 2019	**38**

iii. Net impairment losses on finance and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss in relation to impaired financial assets:

	2019 $'000	2018 $'000
Impariment losses		
- individually impaired receivables (previous accounting policy)	-	(8)
- movement in loss allowance for trade receivables and contract assets	9	-
Impairment losses on other financial assets	-	-
Reversal of impairment losses	(38)	(0)
Net impairment on finance and contract assets	**(29)**	**(8)**

iv. Reconciliation of total estimated credit loss allowance

The total loss allowance reconciles to note 8a and 8b as follows:

	Consolidated	
	2019 $'000	2018 $'000
Current loss allowance		
Trade receivables	172	106
Loan receivable current	11	-
Contract assets without significant financing components	4	-
Contract assets with significant financing components - current	15	-
	202	**106**
Non-current loss allowance		
Loan receivable non-current	27	-
Contract assets with significant financing components - non- current	24	-
	51	-

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of fund through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve as well as cash and cash equivalents (Note 8(c)) on the basis of expected cash flows. This is generally carried out at the local level in the operating companies of the Group in accordance with practice set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal requirements and maintaining debt financing plans.

i. Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 $'000	2018 $'000
Floating rate		
- Expiring withing one year (bank overdraft)	335	-
	335	-

ii. Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities As at 30 June 2019	Less than 6 months	6-12 months	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives						
Trade payables	2,593	-	-	-	2,593	2,593
Finance lease liabilities	13	-	-	-	13	12
Other payables	2,119	-	-	-	2,119	2,119
Total	**4,725**	**-**	**-**	**-**	**4,725**	**4,724**

Contractual maturities of financial liabilities As at 30 June 2018	Less than 6 months	6-12 months	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives						
Trade payables	1,795	-	-	-	1,795	1,795
Finance lease liabilities	-	30	12	-	42	39
Other payables	2,053	-	-	-	2,053	2,053
Deferred consideration	1,041	-	-	-	1,041	1,041
Total	**4,889**	**30**	**12**	**-**	**4,931**	**4,928**

Contractual maturities of financial assets As at 30 June 2019	Less than 6 months	6-12 months	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount assets
Non-derivatives						
Trade debtors	5,522	40	-	-	5,562	5,562
Contract assets	1,494	261	767	105	2,627	2,627
Loan to related parties	-	272	633	-	905	905
Total	**7,016**	**573**	**1,400**	**105**	**9,094**	**9,094**

Contractual maturities of financial assets As at 30 June 2018	Less than 6 months	6-12 months	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount assets
Non-derivatives						
Trade debtors	4,218	40	-	-	4,258	4,258
Other receivables	-	1,647	1,302	-	2,949	2,949
Loan to related parties	-	-	872	-	872	872
Total	**4,218**	**1,687**	**2,174**	**-**	**8,079**	**8,079**

14. Capital management

a) Risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group does not currently have any loan covenants that it is required to meet. However, review of the current ratio is performed monthly to ensure that it is managed and remains at a reasonable level. This current ratio is assessed as per normal accounting practices with an adjustment made to take into account the large deferred revenue balance that the Group carries on an on-going basis.

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole.

A list of significant subsidiaries is provided in Note 15(a).

15. Interests in other entities

a) Subsidiaries

The Group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Country of incorporation	Equity Holding Jun 19 %	Equity Holding Jun 18 %
Parent Entity:			
MSL Solutions Limited	Australia		
Subsidiaries of parent entity:			
Micropower Pty Ltd	Australia	100%	100%
Artra South Pty Ltd	Australia	50%	50%
iSeekgolf Pty Ltd	Australia	100%	100%
Simbient Golflink Pty Ltd	Australia	100%	100%
Golflink Partners Pty Ltd	Australia	100%	100%
GolfTime International Pty Ltd	Australia	100%	100%
MarkeTown Media Pty Ltd	Australia	100%	100%
Rockit Pty Ltd	Australia	100%	100%
InfoGenesis Pty Ltd	Australia	100%	100%
Golf Group International	Australia	100%	100%
Verteda Holdings Limited	England	100%	100%
Verteda Limited	England	100%	100%
Rebel Thinking Limited	England	100%	100%
GolfBox A/S	Denmark	100%	100%
PriCap Services Pty Ltd	Australia	100%	100%

*Verteda Limited, a 100% owned subsidiary of Verteda Holdings Limited, established a branch (DMCC Branch), Dubai, U.A.E. on 13 December 2018, Licence Number DMCC-582137.

b) Interests in associates

Name	Country of incorporation	Equity Holding Jun 19 %	Equity Holding Jun 18 %
Unlisted			
Zuuse Limited	Australia	0%	10%

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

a) Unrecognised tax amounts – see Note 7
b) Non-cash investing and financing transactions – see Note 12 b)

16. Contingent liabilities and contingent assets

The Group has negotiated a without prejudice agreement to settle a property leasing dispute with its landlord at 50 Berry St, North Sydney. The settlement of the dispute is contingent upon the Group extending its lease for the suite currently occupied by the Group.

17. Commitments

a) Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within 6 months to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2019 $'000	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operation lease are as follows:		
Within one year	789	331
Later than one year but not later than five years	3,355	1,163
Later than five years	2,768	301
	6,912	**1,795**

b) Hosting and back up

As part of its operations GolfBox have an operating agreement for hosting and back-up. The minimum payment in the termination period of six months is kr250.

c) Bank guarantee

The Group hold a number of bank guarantees in relation to office bond for GolfLink Pty Ltd and MSL Solutions Limited.

	2019 $'000	2018 $'000
Bank guarantee - MSL Solutions	209	209
Bank guarantee - Golflink	90	90
Bank guarantee - InfoGenesis	30	30
	329	**329**

18. Events occurring after the reporting period

The following matters have arisen since the end of the financial year which may materially affect operations of MSL, the results of those operations, or the state of affairs of MSL in future financial years.

The Company has undertaken an extensive review of its workforce and overhead costs and implemented a program to restructure the business to improve profitability in FY20 and better position the Company for future growth opportunities.

The Company is in the early stages of negotiating a new debt facility to support the Company's growth strategy.

Other disclosures

This section of the notes includes other disclosures that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

19. Related party transactions

a) Key management personnel compensation

	2019 $'000	2018 Restated $'000
Short-term employee benefits	999	1,549
Other long-term benefits	1	31
Superannuation	63	121
Share based payments	45	-
Total	1,108	1,701

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 26.

b) Transactions with other related parties - loans

i. Loans receivable from related parties

As at 30 June 2019, the Company has a loan receivable of $905k from Zuuse Limited. The loan is classified as non-current, consistent with the arms-length term the Company has entered into. The movement in the loan receivable for the financial year represents interest that has accrued on the balance outstanding.

	2019 $'000	2018 $'000
Zuuse Limited - current loan receivable	272	-
Zuuse Limited - non-current loan receivable	633	872
	905	**872**

Under the terms of the loan, no repayment is required until 31 December 2019, unless a there a trigger event occurs by way of asset sale, share sale or other capital raising by Zuuse Limited.

In addition to his role as directors of MSL Solutions Limited, Mr Ian Daly is also a director on the Zuuse Limited Board and a significant shareholder. John Down, Craig Kinross, Ian Daly and Richard Holzgrefe all hold shares of Zuuse Limited in their personal capacity.

Going forward Zuuse Limited will not be a related party as the Company will no longer hold any investment in Zuuse Limited. In addition, Mr. Ian Daly will cease to be a director of the Company on 31 August 2019.

20.Share-based payments

Employee Option Plan

No options were issued or expired during the period ending 30 June 2019.

The following table summarises the share options outstanding at the end of the year:

Option Class	Post March 2017 Consolidation	Grant Date	Term	Exercise Price
OPA_CLASS_TOTAL	2,357,142	18-Dec-15	5 years	$0.217
OPB_CLASS_TOTAL	1,250,000	22-Oct-15	5 years	$0.308
OPC_CLASS_TOTAL	1,071,430	30-May-16	5 years	$0.308
OPD_CLASS_TOTAL	300,000	15-May-17	5 years	$0.350

21.Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PricewaterhouseCoopers Australia

1. Audit and other assurance services

	2019 $'000	2018 $'000
Audit and review of financial statements	396	205
Other assurance services	20	0
Total remuneration for audit and other assurance services	**416**	**205**
Total Remuneration PricewaterhouseCoopers Australia	**416**	**205**

Network firms of PricewaterhousCoopers Australia

1. Audit and other assurance services

PricewaterhouseCoopers United Kingdom

	2019 $'000	2018 $'000
Audit and review of financial statements	61	51
Total remuneration for audit and other assurance services	**61**	**51**

PricewaterhouseCoopers Denmark

	2019 $'000	2018 $'000
Audit of financial statements	19	15
Assitance in statutory financial statement filing	3	-
Tax compliance services	3	-
Total remuneration for audit and other assurance services	**25**	**15**
Total Remuneration of network firms PricewaterhouseCoopers Australia	**86**	**65**

It is the Group's policy to engage PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the Group are important. These assignments are principally taxation advice and other compliance services, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

22. Earnings per share

a) Basic earnings per share

	2019	2018
Total basic earnings per share attributable to the ordinary equity	(7.0)	(0.1)

b) Diluted earnings per share

	2019	2018
Total basic earnings per share attributable to the ordinary equity	(7.0)	(0.1)

c) Reconciliations of earnings used in calculating earnings per share

	2019	2018
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(17,942)	(173)
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(17,942)	(173)

d) Weighted average number of shares used as the denominator

	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	249,840,362	249,248,965
Adjustments for calculation of diluted earnings per share:		
- Options	4,703,572	4,703,572
- Potential shares to be issued (Pricap contingent consideration	-	564,103
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	254,543,934	254,516,640

* Information concerning the classification of securities

Options
Options granted to employees under the MSL Solutions Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

23. Deed of cross guarantee

MSL Solutions Limited and its subsidiaries are not party to a deed of cross guarantee under which each company guarantees the debts of the others. At this time the Australian subsidiaries of MSL Solutions Limited are not required to lodge separate financial accounts as they are below the threshold for reporting requirements.

24. Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 $'000	2018 $'000
Current assets	9,104	9,323
Non-current assets	26,408	38,785
Total assets	**35,512**	**48,108**
Current liabilities	712	3,444
Non-current liabilities	-	0
Total liabilities	**712**	**3,444**
Contributed equity	61,003	60,988
Retained losses	(26,251)	(16,278)
Reserves	49	(46)
Total Equity	**34,801**	**44,664**
Loss for the year	(9,973)	1,180
Total comprehensive income for the year	**(9,973)**	**1,180**

b) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of MSL Solutions Limited.

ii. Tax consolidation legislation

MSL Solutions Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, MSL Solutions Limited, and the controlled entities in the tax consolidated group account for tax on a consolidated basis.

MSL Solutions Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

25.Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These polices have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of MSL Solutions Limited and its subsidiaries.

a) Corporate information

The consolidated financial statements of MSL Solutions Limited and is subsidiaries (collectively, the Group) for the-year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 31 August 2018.

MSL Solutions Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are privately owned. The principal activities of the Group during the financial year were the investment in development, sale and support of software in the provision of integrated solutions for membership organisations.

MSL Solutions Limited is a for-profit entity for the purposes of preparing these financial statements.

The financial statements are presented in the Australian currency.

b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards and the Corporations Act 2001.

iii. Compliance with IFRS

The financial statements also comply with international financial reporting standards (IFRS) as issued by the International Accounting Standards Board.

iv. Historical cost convention

Except for cash flow information, the financial statements have been prepared on and accruals basis and are based on historical costs except where stated.

v. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	AASB 16 *Leases*
Nature of change	AASB 16 was issued in February 2016. It will result in almost all the leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low -value leases.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $6.9m see Note 17a. The Group has determined that these commitments will result in the initial recognition of an asset and a liability for future payments in the amount of $5.3m. Some of the commitments may be covered by exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.
Mandatory application date/date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

c) Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

ii. Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of these policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is recognised in the profit or loss in the period in which the investment is acquired.

Profits and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the Groups interest in the associate.

When the Groups share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or mad payments on behalf of the associate, When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share for the losses not recognised

iii. Joint ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the Group's share of profits or losses of joint ventures are recognised in consolidated profit or loss and the Group's share of the movements in other comprehensive income of joint ventures are recognised in consolidated other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors monitor the business have identified 5 reportable segments, based on the type of customer serviced and products sold to those customer bases. Refer Note 2.

e) Foreign currency translation

i. Function and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using functional currency. The consolidated financial statements are presented in Australia dollar ($), which is MSL Solutions Limited functional and presentation currency.

ii. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit and loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Other Comprehensive Income (OCI).

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

iii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates averaged over the reporting period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisitions of a foreign operation and any fair value adjustments to the carrying amounts of assets or liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be measured reliably.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax.

Refer to Note 4 for further details on the Group's specific revenue products.

g) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

MSL Solutions Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and

The net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the parent entity.

i. Research and Development Tax Incentive

Companies with the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. At each reporting period, the Group accounts for such allowances as tax credits. The benefit in excess of the Australian Corporate tax rate of 30% has been recognised as a reduction to research and development expenses. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

h) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated at the rate applicable to the class of fixed assets that the asset has been added to. This is done over the shorter of their estimated useful life and the lease term.

Leases that are classified as operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

i) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred, and equity interests issued by the Group on acquisition date.

Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value van be identified as existing at acquisition date.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable.

Acquisition-related costs are expensed when incurred

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or joint venture, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the Group's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Group's controlling shareholder's consolidated financial statements.

j) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. An excess of the asset's carrying amount is written off immediately to its recoverable amount if the assets carrying amount if the assets carrying amount is greater than its recoverable amount, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). An impairment loss or a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

l) Investments and other financial assets

i. Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

ii. Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

iv. Held to maturity investments

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

v. Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payment.

m) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

i. Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed based on the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

ii. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

iii. Depreciation rates

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	
Plant and Equipment	27% 50%
Furniture, Fixtures and Fittings	20% 30%
Leasehold Improvements	7.5% 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

n) Intangible assets

i. Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Software

Software used in the business and that is not integral to the computer hardware owned by the Group, is carried at cost less, where applicable, any accumulated depreciation and impairment losses. The depreciable amount of software is depreciated on a straight-line basis at a rate between 12.5% and 40%.

Cost includes the direct costs of acquiring the software. Internal costs incurred in further developing the software are expensed.

In previous financial years all research and development costs were expensed as incurred. As the Group transitions to a SaaS based company, it will provide access to products via a SaaS platform over a prolonged term meaning that, the technical feasibility of products can be established at an earlier phase through pre-defined roadmaps. Costs that are directly associated with the development of this software are recognised as an intangible asset when the following criteria are met:

a) The technical feasibility of completing the intangible asset is achieved so that it will be available for use or sale;
b) The Company intends to complete the intangible asset and then use or sell it;
c) The Company is able to use or sell the intangible asset;
d) The Company knows how the intangible asset will generate probable economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
f) The Company can reliably measure the expenditure attributable to the intangible asset during its development.

The relevant costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be 60 months. Capitalised software development costs are amortised from when the products to which they relate become available to use. Research costs are expensed as incurred and are largely made up of employee labour which is included in research and development costs in the statement of comprehensive income. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Amortisation of intangibles is included in the line 'amortisation' in the profit or loss.

iii. Customer Contracts

Customer contracts recognised on acquisition are amortised on a straight-line basis over the life of the contract, being between 3-11 years. Where a contract holds multiple extension periods, MSL Solutions recognises these only to the extent where MSL Solutions has the control over whether the contract is extended, and it is more than probable that the extension will be utilised.

Amortisation of customer contracts is included in the line 'depreciation and amortisation' in the profit or loss.

iv. Amortisation

Refer to Note 8(b) for details about amortisation methods and periods used by the Group for intangible assets.

o) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within terms of payment as detailed on invoices received

p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measure at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effect interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is possible that some or all the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

q) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production or a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

s) Employee benefits

i. Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

ii. Other long-term employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting period. Share-based payments to non-employees are measured at the fair value of the instruments issued and are recorded at the date the goods or services are received.

The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

t) Contributed equity

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.

u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

v) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 22).

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

w) Rounding

Amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

x) Goods and Services Tax (GST) and Value Add Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST and VAT incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are shown inclusive of GST.

Cash flows are presented in the statement of cashflow on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

y) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Directors Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 31 to 91 are in accordance with the *Corporations Act 2001,* including:
   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   ii. giving a true and fair view of the consolidated Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

c) at the date of this declaration, there are reasonable ground to believe that the members of the extended closed group identified in Note 15(a) will be able to meet any obligation or liabilities.

Note 25(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

Kenneth John Down **Chairman**	**Dr Richard Holzgrefe** **Director**

Dated at Brisbane this 30th day of August 2019.

Independent auditor's report

To the members of MSL Solutions Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of MSL Solutions Limited (the Company) and its controlled entities (together 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 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor 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.

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Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss of $17.9m during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its total assets by $2.8m. As a result, the Group is dependent upon achieving its revenue and cash flow forecasts for the next 12 months and beyond and/or successfully realising additional sources of funding which may include a new debt facility and/or future capital raising. These conditions, along with other matters set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $0.3 million, which represents approximately 1% of the Group's revenue.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group has material operations in the United Kingdom and Denmark and these territories combined, contribute approximately 44% of the Group's revenue.
- Our audit procedures were mostly performed at the Group's corporate head office in Brisbane. In establishing the overall approach to the Group audit, we determined the type of audit work that needed to be performed by us, as the Group engagement team, and by auditors in the UK and Denmark operating under our instructions.
- Component auditors in the UK and Denmark acting under our instruction performed audits over the Verteda and GolfBox businesses respectively. For the work performed by the component auditors, we determined the scope of audit work required to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the financial report as a whole. This included active dialogue throughout the year through discussions, issuing written instructions, receiving formal interoffice reporting, as well as attending meetings with local management.
- We performed risk focused audit procedures over the Australian businesses, in addition to auditing the consolidation of the Group's overseas entities that form part of the Group's financial report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Carrying amount of goodwill and other intangible assets *(Refer to note 9 (b))* The Group recorded intangible assets of $28.0m at 30 June 2019 comprising: • Goodwill of $10.5m • Contracts and customer relationships of $13.6m • Computer software and other of $3.9m The Group is required by Australian Accounting Standards to perform an annual impairment	Our procedures included, amongst others: • Assessing whether the division of the Group's activities into CGUs was consistent with our knowledge of the Group's operations, internal group reporting and the requirements of Australian Accounting Standards. • Testing the mathematical accuracy of the underlying calculations in the models. • Comparing the cash flow forecasts for FY20 used in the models to the Board approved budget for FY20. • Assessing the FY20 cash flows by developing an understanding of the key drivers and assumptions

Key audit matter	How our audit addressed the key audit matter
assessment over goodwill and non-amortising intangible assets, and also any amortising intangible assets for which indicators of impairment have been identified. This impairment assessment has been performed by determining the recoverable amounts of each Cash Generating Unit (CGU) using 'fair value less costs to dispose' discounted cash flow models (the 'models'). The CGUs used to assess the Group's goodwill, customer contracts, relationships and software are consistent with the Group's operating segments, being Mpower Venues and Mpower Golf. The Group has recorded an $11.5m impairment charge on goodwill for the year ended 30 June 2019. We considered this a key audit matter due to the size of the goodwill and intangible assets in the consolidated balance sheet, the financial significance of the impairment charge recognised during the year and the key judgements and assumptions adopted by the Group in preparing the impairment models to assess the recoverable amount of the goodwill and intangible assets.	in the context of the Group's future operational and strategic plans. • Comparing historical reported results to the corresponding budgets to assess the historical accuracy of the Group's forecasting processes. • Together with the PwC valuation experts, comparing the growth rates and discount rates used in the models to independent market data and industry research. • Performing sensitivity analysis to determine the impact of reasonably possible changes in the discount rates, growth rates, EBITDA margin and FY20 forecasts used in the models. • Comparing the Group's net assets to its market capitalisation at both 30 June 2019 and also at 15 July 2019, which was the date on which the Group provided their 'FY19 results update' to the market. • Agreeing the impairment to goodwill identified in the models with the Group's financial records at balance date. • Assessing the presentation and disclosures made in the financial statements in respect of the impairment in light of the requirements of Australian Accounting Standards.
The recognition and presentation of revenue *(Refer to note 5 (a)) [Total revenue: $27.8m]* The Group's revenue is based on a significant volume of transactions across a number of major revenue streams. The revenue recognition process differs for each revenue stream depending on the nature of the products and services provided to the customer. The recognition of revenue from these sources is largely dependent on the terms of the underlying contracts with the customer. Contracts can be complex and bespoke. In particular, judgement and estimation is required by the Group in determining the amount of revenue recognised for perpetual licences and other multiple obligation customer contracts, and the timing of when this revenue is recognised. We considered the recognition of revenue to be a key audit matter due to the high volume of revenue transactions and the different revenue recognition criteria for each of the Group's revenue streams, and in the case of software and hardware sales, the bespoke	Our procedures included, amongst others: • Assessing the design and operating effectiveness of the relevant key controls over the recording and recognition of revenue. • Through discussions with management, developing an understanding of the various revenue streams and the Group's revenue recognition policies for each stream. • For each of the Group's revenue streams, agreeing a sample of revenue transactions recorded in the general ledger to supporting documentation such as purchase orders, sales invoices, customer contracts and receipts in the bank statements. • Reading the contract terms for a sample of customer contracts with multiple obligations (e.g. hardware, software, support and services), to determine whether revenue was recognised in accordance with the Group's accounting policies and the requirements of Australian Accounting Standards. • Utilising data analytics techniques across all

Key audit matter	How our audit addressed the key audit matter
nature of the customer contracts and the judgement involved in accurately recognising revenue.	revenue streams to identify revenue transactions recognised through manual journal entries, to assess whether the related revenue was recognised in accordance with the Group's accounting policies and the requirements of Australian Accounting Standards.
Capitalisation of software development costs *(Refer to note 9(b)) [$0.4m]* The Group has software development teams in each of its territories, and during the year ended 30 June 2019, material expenditure was incurred in developing technology solutions. Expenditure on development projects is capitalised when it meet the recognition criteria outlined in Australian Accounting Standards. In the year ended 30 June 2019, there were software additions of $0.4m, which primarily relate to salary costs associated with internally developed software. We considered this a key audit matter due to the level of judgement required by the Group in assessing whether the internally generated software development costs meet the recognition criteria for capitalisation in accordance with the requirements of Australian Accounting Standards, as well as the quantum of expenditure capitalised during the year.	Our procedures in relation to the capitalisation of internally generated software development costs included, amongst others: • Developing an understanding of the Group's policy for capitalising internally generated software development costs and the process for capturing these costs and monitoring the progress of the respective projects in line with their approved plans. • For a sample of capitalised costs, inspecting supporting payslip data and timesheet records to assess whether the time charged was directly related to an approved software project. • Assessing, on a sample basis, the Group's assessment of the likely future economic benefit for developed assets, updating our understanding of the specific software project and evaluating whether the assets are supported by forecast cash flows.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 accordingly 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 ability of the Group 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 the 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.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 26 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of MSL Solutions Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Michael Crowe
Partner

Brisbane
30 August 2019

Shareholder information

The shareholder information set out below was applicable as at 28 August 2019.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Range	Total holders	Units	% Units
1 - 1,000	16	2,691	0.00%
1,001 - 5,000	34	122,770	0.05%
5,001 - 10,000	50	400,665	0.16%
10,001 - 100,000	341	15,273,673	6.11%
100,001 Over	210	234,040,563	93.68%
Total	**651**	**249,840,362**	**100%**

There were 59 holders of less than a marketable parcel of ordinary shares, totalling 177,602.

Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Name	Ordinary Shares	%
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	30,288,256	12.12%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,395,838	9.36%
3	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	19,869,459	7.95%
4	HOLZGREFE HOLDINGS PTY LTD <HOLZGREFE FAMILY SUPER A/C>	10,913,566	4.37%
5	CCK WEALTH PTY LTD <CCK FAMILY A/C>	10,498,271	4.20%
6	LOVAT PTY LTD <LOVAT PTYLTD SUPER FUND A/C>	8,754,131	3.50%
7	THE DALY FT PTY LTD <RUPERT & SONIA DALY FAM A/C>	6,206,044	2.48%
8	WALLIS-MANCE PTY LIMITED <WALLIS-MANCE FAMILY A/C>	5,884,725	2.36%
9	PORTFOLIO SERVICES PTY LTD	5,475,750	2.19%
10	INDCORP CONSULTING GROUP PTY LIMITED <SUPERANNUATION FUND A/C>	4,000,000	1.60%
11	JAMBET DOWNS PTY LTD <KJD SUPERANNUATION FUND A/C>	3,510,744	1.41%
12	GLG HOLDINGS PTY LTD <GLG SUPERANNUATION FUND A/C>	3,428,571	1.37%
13	CHARLOTTE B PTY LTD <CHARLOTTE B SUPER FUND A/C>	3,000,000	1.20%
14	BROOKFIELD S/F PTY LTD <BROOKFIELD S/F A/C>	2,821,429	1.13%
15	MR IVAN TANNER + MRS FELICITY TANNER <THE SUPERNATURAL SUPER A/C>	2,742,685	1.10%
16	POLDING PTY LTD	2,000,000	0.80%
17	GOANNA SUPER PTY LTD <THE GOANNA FUND A/C>	1,857,143	0.74%
17	VP INVESTMENTS PTY LTD <VINCE GAUCI FAMILY A/C>	1,857,143	0.74%
19	INVIA CUSTODIAN PTY LIMITED <G W HOLT SUPER FUND A/C>	1,843,318	0.74%
20	UBS NOMINEES PTY LTD	1,817,562	0.73%
		150,164,635	**60.10%**

Restricted equity securities

The Company does not currently have any shares subject to escrow.

Unquoted equity securities

There are 11 option holders with total accumulated holdings of 4,978,572 options over fully paid ordinary shares.

There are 4,328,000 performance rights issued to various employees under the Company's Performance Rights Plan, which are subject to specified vesting conditions.

Substantial holders

Substantial holders in the Company are set out below:

	Name	Ordinary Shares	%
1	FORAGER FUNDS MANAGEMENT PTY LTD	24,726,794	9.90%
2	DAVID PENNER	17,455,584	6.99%
3	DR RICHARD HOLZGREFE	13,267,071	5.31%
4	FIDELITY MANAGEMENT & RESEARCH COMPANY	12,787,976	5.12%

Voting rights

The voting rights attaching to each class of equity securities are as follows:

- Ordinary shares: - on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote; and
- Options and Performance Rights: - No voting rights.

Other information

There is currently no on-market buy-back of the Company's securities.

The Company has used its cash (and assets in a form readily convertible to cash) that it had at the time of listing in a way consistent with its stated business objectives.

Corporate Directory

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