MGM Wireless Ltd.
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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

February 28, 2017

2017 half year results:

Sales and customer growth drives profit and cash

- Total revenue up 7% to $1.64 million
- Net profit up 14% to $0.21 million
- EBITDA of $0.81 million up 170%
- Cash from operating activities up 27% to $0.89 million
- 13% Expansion in customer base
- R & D increased on new product opportunities

Key results 2017 first half : Six months ended 31 December *$ million unless otherwise specified*	**2016**	**2015**	**Change**
Revenue	**1.64**	1.54	**+7%**
Gross profit	**1.54**	1.38	**+12%**
Underlying EBITDA *(excl. Option issue costs)*	**0.81**	0.30	**+170%**
Net Profit	**0.21**	0.18	**+14%**
EBITDA margin	**50%**	20%	**+30%**
Net Cash from operating activites	**0.89**	0.70	**+27%**
Cash Balances	**1.60**	1.62	**-1%**
Earnings per share (diluted) cents	**2.38**	2.08	**+14%**
Contracted Schools & Early Learning Centres	**1,347**	1,192	**+ 13%**

School communication and attendance management software provider MGM Wireless (ASX:MWR) has announced half year results featuring improvement in sales, profit and cash generation for the six months to 31 December 2016 (“2017 First Half ”).

The company has announced net profit after tax of $211,310 for the period, up 14% on the $184,984 reported for the 2016 first half. Earnings per share also rose by 14% to 2.38 cents from 2.08 cents (fully diluted). EBITDA of $811,355 was 170% higher than the previous period’s comparative of $302,808.

MGM Wireless Executive Chairman Mark Fortunatow said it was pleasing to deliver such a solid result.

“Our sales operations and growth in customer numbers are performing well, and our products are viewed by the market as very attractive and desirable. This, coupled with lower costs, has resulted in the strong growth recorded in profit and cash generation,” he said.

MGM Wireless generated sales revenue of $1.63 million, up 7% on the previous corresponding figure of $1.53 million.

Mr Fortunatow said the sales growth had a number of contributing factors, which were expected to continue to generate growth in the second half of the year.

“The 2017 first half was our first full reporting period with our new in-App messaging and parent engagement platform, SchoolStar, which has been well received,” he said.

“Our school numbers have recorded one of their highest six month growth periods ever, with 92 new schools added since 30 June. The majority of new clients came on board from November following the initiation of the Queensland Education Department contract.”

As at 31 December MGM Wireless had 1,347 schools and early learning centres under contract, up 6% on the 1,265 at the beginning of the period, and 13% higher than the corresponding figure of 1,192 twelve months previous.

Mr Fortunatow said the selection of the company by the Queensland Government in November as one of 4 initially (now 6) approved suppliers of Absence Management and Parent Notification solutions was responsible for the acceleration in customer growth rates in the closing months of the period.

“Our contracted schools in Queensland increased from 57 to 124 in the two months to 31 December and we expect to grow that number further over the course of the year,” he said.

"The six week period from being granted a Standing Offer Arrangement by the Queensland Government was one of intense activity as we mobilised, hired and trained staff to increase our sales and customer service resources in the closing weeks of the school year. With the start of a new school year, and the opportunity to improve operations further, we are expecting our Queensland school numbers will continue to grow and our results to reflect the revenue generation across the full period."

Reductions achieved to cost of sales through re-negotiated wholesale supplier agreements, together with other lower expenses, enabled profit growth to outstrip revenue growth, notwithstanding depreciation and amortisation doubling from $416,605 to $740,750.

The company continued its investment in research and development activities, with cash expenditure of $545,175 compared with $534,554 in the previous corresponding period. The development of improved wearable devices and Internet of Things (IoT) server software product offering for AllMyTribe children's wearable and safety technology has been a particular area of focus.

"Wearable technology for children is an area of great potential and interest in the consumer market," Mr Fortunatow said. "However, I think it is fair to say existing products need to do more to truly excite and kick-start this market.

"We know from our interactions with other international suppliers that the AllMyTribe platform is a globally advanced, world class platform for children's smartwatches and other devices. Our focus has been on developing a package with the features and quality consumers are asking for. We are making good progress and are hopeful that this will result in product announcements in the current calendar year."

The company's cash generation capability enabled the maintenance of a strong cash balance of $1.6 million after funding research and development, debt reduction and dividend payments.

Mr Fortunatow said that MGM Wireless expected further revenue and customer growth in the six months to June, driven largely from Queensland.

"The decision by the Queensland State Government to mandate, and fund, the adoption of absence management and parent notification in all the State's schools has been a ground-breaking commitment to the safety and engagement of schoolchildren in Queensland. Our selection as an approved supplier has given a wonderful opportunity to grow, and to demonstrate the superior capabilities of our products in improving attendance, parent engagement and child protection.

"Growth of this scale has required a corresponding investment and increase in resources and people. While this expenditure is expected to moderate the earnings flow-through of the revenue growth, the larger customer base and increase in the company's organisational resources, structure and capability should support longer term earnings."

The company is also experiencing good enquiry levels in other states and will continue to build its customer base across Australia.

"Awareness of the need for attendance management and parent notification solutions is stronger than it has ever been," Mr Fortunatow said.

"Translating this interest into buying decisions on a school-by-school basis will always require a significant effort on our part in customer education, marketing and sales resources. The market feedback from our new Schoolstar App Platform is that it is a very attractive offering. The market is only just starting to understand its power, value and desirability as a highly advanced and superior school communication solution.

"We have the ingredients for a promising outlook: a real and acknowledged market need, high interest levels and a strong, user focussed product offering."

Company expectations for the six months to June 2017 are that the trends evident in the first half results are likely to continue, with increased sales and earnings coupled with investment in business systems improvement and resources to support growth.

Appendix 4D
MGM WIRELESS LIMITED
ABN 93 091 351 530

Half-Year Report
31 December 2016
(Previous corresponding period: 31 December 2015)

Results for announcement to the market

Financial Results	**Percentage change from corresponding period %**	**Amount change from corresponding period $**	**6 months ended 31/12/2016 $**
Revenue from ordinary activities	7%	100,962	1,638,882
Profit from ordinary activities after tax attributable to members	14%	26,326	211,310
Net profit for the period attributable to members	14%	26,326	211,310

Dividends declared	**Amount per security**	**Franked amount per security**
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil
	No dividends have been declared	
Record date for determining entitlements to the interim dividends	N/A	N/A
Record date for determining entitlements to the final dividends	N/A	N/A

Net Tangible Asset Backing	**31 December 2016 (cents per share)**	**31 December 2015 (cents per share)**
Net tangible asset backing per ordinary security	22.51	25.01

Other explanatory notes

N/A

Control gained or lost over entities during the period	
Name of entity	N/A
Date of gaining/losing control	N/A

Dividends or distributions paid to shareholders	$97,037 dividend paid on 26 October 2016
Dividends or distributions reinvestment plan details	$15,577 reinvested on 26 October 2016
Joint venture and associate details	N/A
Foreign entities' accounting standards used	N/A

MGM Wireless Limited

ABN 93 091 351 530

Half-Year Report
31-Dec-16

Index

Half – Year Ended 31 December 2016

CORPORATE DIRECTORY

Registered Office	Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067
Principal Office	Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067 Telephone: (08) 8104 9555 Facsimile: (08) 8431 2400
Auditor	Grant Thornton Audit Pty Ltd Level 3 170 Frome St Adelaide SA 5000 Telephone: (08) 8372 6666 Facsimile: (08) 8372 6677
Share Registry	Computershare Investor Services Pty Ltd Level 5 115 Grenfell Street Adelaide SA 5000 Telephone: 1300 556 161 Overseas Callers: 61 3 9415 4000 Facsimile: 1300 534 987
Stock Exchange	The securities of MGM Wireless Limited are listed on the Australian Securities Exchange.
ASX Code	MWR ordinary fully paid shares

Directors Report

The Directors of MGM Wireless Limited submit herewith the financial report of MGM Wireless Limited and its subsidiaries (the Group) for the half year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company that held office during and since the end of the half-year (unless otherwise stated) are:

Name

Mr. Mark Fortunatow

Mr. Mark Edwin Hurd

Mrs. Tara Lewis-Christie

Ms. Leila Henderson

Review of Operations

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

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

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

The company is also engaged in research and development in the application of technology to applications and services to deliver gains in cost, effectiveness, convenience and welfare. Initiatives being undertaken within this are at varying and early stages of development, and do not yet involve significant amounts of invested capital and are not yet financially material. The initiatives include the development of the AllMyTribe Internet of Things (IoT) platform and developing a range of children's smartwatches and family wearable devices.

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

Overview

In summary, the 2017 half year financial result comprises: a 14% increase in net profit after tax, driven by increased revenue, lower costs and expenses; and strong cash generation which enabled the company to broadly increase cash balances, increase spending on research and development, reduce borrowings and pay dividends.

The company's business base expanded considerably during the period; contracted schools and early learning centres at 31 December totalled 1,347, 6% higher than the 1,265 at 1 July 2016. In assessing the revenue impact of this expansion it is relevant to note that 69 of the new schools were added in the closing two months of the period, and therefore did not make a full period contribution.

Profit

MGM Wireless recorded a net profit after tax of $211,310 for the half year compared to $184,984 in the previous corresponding period. Earnings per share were 2.38 cents compared with 2.08 cents on a fully diluted basis.

EBITDA was $811,355, compared with the 2016 first half figure of $302,808.

Operating margin (EBITDA/Revenue) improved significantly, rising from 20% to 50%.

Principal factors in the 2017 first half net profit result include:

- a 7% increase in revenue. Sales revenue for the half year was $1,630,743 up 7% from $1,527,952 due to higher licence fees brought by growth in customers. Other sundry revenue earned during the period of $8,139 compared to $9,969 in the prior period.
- cost of sales reduced 37% to $102,974, compared with $162,590. The reduction is attributable to re-negotiated wholesale supplier arrangements with Australian mobile network operators.
- amortisation and depreciation charges of $740,750 were 78% higher than the corresponding figure of $416,605, reflecting the increased investment made in R & D in recent years.
- reduced expenditure on consulting, corporate and administration expenses and employee expenses.
- Increase in tax expense, which reduced tax benefit from $304,475 to $146,357.

Cashflow

Net cash provided by operating activities of $888,125 was 27% higher than the corresponding figure of $699,273 with the largest factor in the change being a $265,363 favourable movement in tax received between the periods. The company continued to generate strong cash from its operations with an inflow of $520,476 generated prior to tax and interest.

Cashflow was sufficient to fund increased research and development payment of $545,175, repay borrowings of $35,000 and pay dividends of $97,037 and record a 14% increase in cash balances over the six month period.

Consolidated statement of financial position

The company's statement of financial position continued to strengthen, with equity of $4,765,197 as at 31 December 2016, up 2% from the beginning of the period. The largest balance sheet movement of significance during the period was the increase in cash from $1,405,660 at 1 July to $1,599,132.

Borrowings were reduced from $115,000 to $80,000. Current liabilities increased from $1,085,944 to $1,092,852.

Other movements of significance included:

- other assets reduced from $846,027 to $473,198 due to variation between full year and half year provisioning of R & D tax grant.
- intangibles increased from $2,626,645 to $2,808,518 due to capitalised expenditure on reasearch and development.
- paybles and receivables increased due to the expansion of the business.

Changes in the state of affairs

During the half year ended 31 December 2016 there was no significant change in the Group's state of affairs other than that referred to in the half-year financial statement or notes thereto.

Dividends

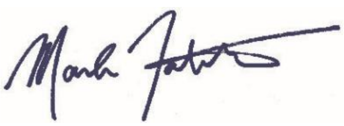
No Dividends have been declared during the half year ended 31 December 2016 (2015 half-year: $nil). Dividends of $97,037 relating to the year ended 30 June 2016 were paid during the half year ended 31 December 2016 (2015 half-year: $90,163).

Auditor's Independence Declaration

The auditor's independence declaration for the half-year report ended 31 December 2016 has been received and is included on page 7.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Mark Fortunatow

Executive Chairman

Rose Park, 28 February 2017

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of MGM Wireless Ltd for the half-year ended 31 December 2016, 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 27 February 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MGM WIRELESS LTD

We have reviewed the accompanying half-year financial report of MGM Wireless Ltd (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of MGM Wireless Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MGM Wireless Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MGM Wireless Ltd is not in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 27 February 2017

Directors Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors,

Mark Fortunatow
Executive Chairman
Rose Park on 28 February, 2017

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

	Consolidated Group Half- Year Ended 31/12/2016 $	31/12/2015 $
Continuing Operations		
Revenue	1,638,882	1,537,920
Cost of sales	(102,974)	(162,590)
Gross Profit	1,535,908	1,375,330
Doubtful debts	-	(42,590)
Borrowing costs	(5,652)	(5,694)
Amortisation & depreciation	(740,750)	(416,605)
Consulting fees	(29,843)	(55,427)
Issue of options	-	(88,250)
Corporate and administration	(114,689)	(222,687)
Employee costs	(580,021)	(663,568)
Profit/ (loss) before tax	64,953	(119,491)
Income tax benefit	146,357	304,475
Profit for the year from continuing operations attributable to owners of the Company	211,310	184,984
Other comprehensive income		
Exchange differences on translating foreign operations	(308)	(8,620)
Other comprehensive income for the period (net of tax)	(308)	(8,620)
Total comprehensive income for the year attributable to owners of the Company	211,002	176,364
Earnings per share		
From continuing operations		
Basic (cents per share)	2.43	2.15
Diluted (cents per share)	2.38	2.08

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

Consolidated statement of financial position as at 31 December 2016

	Consolidated Group As At 31/12/2016 $	Consolidated Group As At 30/06/2016 $
ASSETS		
Current Assets		
Cash and cash equivalents	1,599,132	1,405,660
Trade and other receivables	881,319	794,282
Other assets	473,198	846,027
Total Current Assets	2,953,649	3,045,969
Non-Current Assets		
Property, plant and equipment	164,781	168,461
Intangibles	2,808,518	2,626,645
Deferred Tax Assets	11,101	11,101
Total Non-Current Assets	2,984,400	2,806,207
Total Assets	5,938,049	5,852,176
LIABILITIES		
Current Liabilities		
Trade and other payables	(573,862)	(423,788)
Provisions	(326,470)	(242,692)
Current Tax Liabilities	(192,520)	(419,464)
Total Current Liabilities	(1,092,852)	(1,085,944)
Non-Current Liabilities		
Borrowings	(80,000)	(115,000)
Total Non-Current Liabilities	(80,000)	(115,000)
Total Liabilities	(1,172,852)	(1,200,944)
Net Assets	4,765,197	4,651,232
EQUITY		
Issued capital	7,469,606	7,454,029
Reserves	463,567	463,875
Accumulated losses	(3,167,976)	(3,266,672)
Total Equity	4,765,197	4,651,232

The above consolidated statement of financial position should be read in conjunction with the attached notes.

Consolidated statement of changes in equity for the half-year ended 31 December 2016

Consolidated	Issued Capital $	Accumulated Losses $	Option Issue Reserve $	Foreign Currency Translation Reserve $	Total Equity $
At 1 July 2015	**7,376,993**	**(3,680,183)**	**395,333**	**1,134**	**4,093,277**
Profit attributable to members	-	184,984	-	-	184,984
Currency translation differences	-	(8,620)	-	(8,822)	(17,442)
Total comprehensive income	7,376,993	(3,503,819)	395,333	(7,688)	4,260,819
Transactions with owners					
Contributions and distributions					
Payment of dividends	-	(90,163)	-	-	(90,163)
Issue of shares (DRP scheme)	21,387	-	-	-	21,387
Options issued-directors	-	-	88,250	-	88,250
Options exercised by directors	21,000	-	-	-	21,000
Transactions with owners	42,387	(90,163)	88,250	-	40,474
At 31 December 2015	**7,419,380**	**(3,593,982)**	**483,583**	**(7,688)**	**4,301,293**
Consolidated					
At 1 July 2016	**7,454,029**	**(3,266,672)**	**483,583**	**(19,708)**	**4,651,232**
Profit attributable to members	-	211,310	-	-	211,310
Currency translation differences	-	-	-	(308)	(308)
Total comprehensive income	7,454,029	(3,055,362)	483,583	(20,016)	4,862,234
Transactions with owners					
Contributions and distributions					
Payment of dividends	-	(112,614)	-	-	(112,614)
Issue of shares (DRP scheme)	15,577	-	-	-	15,577
Transactions with owners	15,577	(112,614)	-	-	(97,037)
At 31 December 2016	**7,469,606**	**(3,167,976)**	**483,583**	**(20,016)**	**4,765,197**

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

Consolidated statement of cash flows for the half-year ended 31 December 2016

	Consolidated Group	
	Half-Year Ended	
	31/12/2016	31/12/2015
	$	$
Cash flows from operating activities		
Receipts from customers	1,725,919	1,695,398
Payments to suppliers and employees	(1,205,443)	(1,098,369)
Tax	373,301	107,938
Interest and other costs of finance	(5,652)	(5,694)
Net cash provided by operating activities	888,125	699,273
Cash flows from investing activities		
Payments for plant and equipment	(17,133)	(6,513)
Payment for research and development	(545,175)	(534,554)
Net cash (used in)/provided by investing activities	(562,308)	(541,067)
Cash flows from financing activities		
Payment of dividends	(97,037)	(90,163)
Issue of shares	-	42,387
Repayment of borrowings	(35,000)	-
Net cash (used in)/provided by financing activities	(132,037)	(47,776)
Net increase / decrease in cash held	193,780	110,430
Cash and cash equivalents at 1 July	1,405,660	1,526,754
Effect of exchange rate changes	(308)	(17,442)
Cash at the end of the year	1,599,132	1,619,742

The above consolidated consolidated statement of cash flows should be read in conjunction with the attached notes.

Notes to the Consolidated financial statements

Significant accounting policies

1.1 Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1.2 Basis of preparation

The Consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 Correction of a prior period error

During the review of the Group's accounting policies, a prior period error was identified in relation to the accounting for the research and development tax incentive refund. This error has been rectified by restating each of the affected financial statement line items for prior periods as follows:

31 December 2015	Previous amount	Adjustment	Restated amount
Consolidated statement of profit or loss and other comprehensive income for the half-year ended			
Revenue	1,893,233	(355,313)	1,537,920
Profit /(loss) before tax	235,822	(355,313)	(119,491)
Income tax (expense)/benefit	(50,838)	355,313	304,475
Profit for the year	184,984	-	184,984
Total comprehensive income attributable to the parent	176,364	-	176,364
Basic earnings per share (cents)	2.15	-	2.15
Diluted earnings per share (cents)	2.08	-	2.08

1.4 Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on historical experience and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Actual results may differ from these estimates.

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

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

1.4.1 Internally generated intangible assets

In order to carry out the principal activities of the consolidated entity, a number of intangible assets are generated internally. These assets represent development expenditure incurred in the generation of specific products which will be marketed to consumers. Identification of the amount of development expenditure on individual products is a time consuming process, and as such, is performed in detail on an annual basis at 30 June each year. To determine the balance at 31 December 2016, an expectation has been made based on the amount capitalised at 30 June 2016, with any required adjustment being made to reflect known material variances in projects year on year.

1.4.2 R&D tax incentive receivable

The R&D tax incentive is received annually from the Australian Tax Office based on the amount of eligible research and development expenditure incurred by the consolidated entity each year. Identification of the amount of eligible research and development expenditure is a time consuming process, and as such, is performed in detail at 30 June each year. To determine the balance at 31 December 2016, an expectation has been made based on the R&D tax incentive received for 30 June 2016, with any required adjustment being made to reflect known material variances in operations year on year.

2. Segment information

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In both the current and previous reporting period the Group has only been operating in one business sector and reporting to Management has been on a geographical basis. Each company represents a strategic business unit that offers different risks and rates of returns. This is the basis by which Management controls and reviews the operations of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

	Segment revenue Half Year Ended		Segment profit Half Year Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
MGM Wireless Holdings	1,628,718	1,528,381	208,147	229,309
USA Message YOU LLC	-	-	-	-
NZ MGM Wireless (NZ) Pty Ltd	10,164	9,539	3,163	(44,325)
Total for Continuing Operations	1,638,882	1,537,920		
Profit after tax (continuing operations)			211,310	184,984

Segment assets and liabilities

	Assets Half Year Ended		Liabilities Half Year Ended	
	31/12/2016	30/06/2016	31/12/2016	30/06/2016
MGM Wireless	-	-	-	-
MGM Wireless Holdings	5,863,223	5,768,670	968,338	987,165
USA Message YOU LLC	-	-	86,371	84,162
NZ MGM Wireless (NZ) Pty Ltd	74,826	83,506	118,143	129,617
Consolidated Assets	5,938,049	5,852,176		
Consolidated Liabilities			1,172,852	1,200,944

3. Issues of equity securities

During the half-year, the company issued nill ordinary shares under the share option plan (2015: issue of 30,000 ordinary shares for $21,000 on exercise of 30,000 share options) A total of 26,478 ordinary shares were allocated in October 2016 (2015: 17,546) to shareholders participating in the Group's Dividend Reinvestment Plan.

4. Dividends

During the half-year, The Group made the following dividend payments:

Dividends

	Half-year ended 31 December 2016		Half-year ended 31 December 2015	
	Cents Per Share	Total $	Cents Per Share	Total $
Fully paid ordinary shares				
Final dividend	1.3	112,614	1.3	90,163

As noted in note 3 above a number of shareholders elected to reinvest their dividend under the Group's Dividend Reinvestment Plan. The amount that was reinvested was $15,577.

5. Financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

6. Events after reporting date

There has not arisen in the interval between 31 December 2016 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of MGM Wireless, to affect significantly the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group, in future periods.

7. Commitments

There have been no changes to commitments since 30 June 2016.