APPENDIX 4E

PRELIMINARY FINAL REPORT

Name of Entity:	**MOQ LIMITED**
ABN:	**94 050 240 330**
Reporting period:	**Financial year ended 30 June 2017**
Previous corresponding period:	**Financial year ended 30 June 2016**

Results for Announcement to the Market

Set out below are the unaudited statutory results for MOQ Ltd ("MOQ" or the "Company") and its controlled entities for the year ended 30 June 2017.

	FY 2017	FY 2016	Movement %
Revenue from ordinary activities	54,869,005	33,934,350	62%
EBITDA	773,403	(552,744)	N/A
Net profit / (loss) from ordinary activities after tax attributable to members	100,976	(534,604)	N/A
Net profit / (loss) after tax attributable to members	100,976	(534,604)	N/A
Interim dividend per share (fully franked)	n/a	n/a	-
Final dividend per share (fully franked)	n/a	n/a	-
Basic Earnings/(Loss) per share (cents per share) **-Continuing operations** **- Discontinuing operations**	(0.03) -	(0.05)	40% -
Diluted Earnings/(Loss) per share (cents per share) **- Continuing operations** **- Discontinuing operations**	(0.03) -	(0.05)	40% -
Net Tangible Asset Backing per share (cents per share)	2.12	0.0229	9158%

Dividend information

	Amount (cents per share)	Record Date	Payment Date
Interim dividend	n/a	n/a	n/a
Final dividend	n/a	n/a	n/a
The company does not have a dividend reinvestment plan.			

Commentary on operating results for the year

Whilst FY17 has been a period dominated by a considerable investment and effort to integrate the key acquisitions made at the end of FY16 – Tetran and Skoolbag – into the MOQ Limited business, the Board is happy to report solid progress in the following key areas:

1. Revenue increase of **62%** over FY16, noting that over 50% of the additional revenue was achieved from organic growth in the existing business model. This included:
    a. Recurring Services revenue growth over FY16 of **123%** to $10,768,189
    b. Professional Services revenue growth over FY16 of **40%** to $15,018,743
    c. Technology Sales revenue growth over FY16 of **58%** to $29,082,073
2. A successful integration of Tetran into the MOQdigital line of business, featuring:
    a. Almost 100% Tetran client retention rate.
    b. Strong leverage back into MOQdigital's client base, providing an enhanced Managed Services offering, culminating in key new business wins;
    c. Service Management Consolidation and Improvement program, currently 90% completed (target completion end Q1 FY18), that will allow for improved business processes and scalability of Managed Services business. This includes the roll out of a new Information Technology Service Management (ITSM) system; and
    d. Strong key Staff Retention
3. Management Team Consolidation – The departures of some senior management personnel in FY17 has also allowed us to streamline our management structure and keep our operational expenses at a level commensurate with our business model. This was completed in Q4 FY17.
4. Key personnel additions to the NSW business to enhance Go-To-Market and Service Delivery capability and capacity, positioning for FY18.

Whilst revenues and market presence grew substantially in FY17, operating performance for the year was impacted by the significant investment and re-shaping of the merged operations. The following items are of note:

1. Underlying EBITDA achieved by the Group for FY17 was **$1,843,403***
2. This excluded non-recurring integration and restructuring costs of $1,070,000 consisting of:
    a. $469,000 in implementing the new Service Management System, scheduled to be completed in Q1FY18, enabling improved business processes and scalability;
    b. $278,000 invested in integration activities, mainly in H1FY17, including marketing, travel and strategic planning off-sites to bring together the Tetran and MOQdigital teams; and
    c. $323,000 due to restructures to some of the professional services practices, as well as the departures of some members of the senior management team, who have not been replaced.

FY18 now represents an opportunity for the company to continue with its strategy to develop, build and acquire complementary Cloud focused technology businesses to pursue suitable growth opportunities by either organic investment or through synergistic acquisitions in the technology sector.

With a substantially lower cost base and a focused management team, we are confident that we will deliver our shareholders the growth fitting of our team, the market opportunity and the companies that we represent in the year ahead.

**Underlying EBITDA excludes one-off integration/restructuring costs*

Priorities for the next 12 months include:

1. Continue to organically grow the NSW operation through new client acquisition and increasing breadth of sale to existing clients.
2. Leverage the FY17 investment in Managed Services business to win new clients and improve delivery efficiency.
3. Capitalise on our Education market vertical focus and the digital disruption opportunities to introduce new vendor application partners. (Announcement to be released in due course)

4. Further leverage the Skoolbag distribution platform (including over 3,200 customer subscriptions and over 1,000,000 end users) to offer the K-12 market access to an enhanced range of services and tools.
5. Continue to grow in the booming Data Analytics and Business Intelligence market
6. Continue to assess acquisition opportunities focused on Recurring Services, SAAS applications and potential regional expansion into Victoria
7. Leverage our strong partnership with Microsoft in the Cloud and Application platforms space, where Microsoft is growing market share significantly; and
8. Improve Operating Profit

In late September 2017, MOQ Limited will be releasing its audited FY17 annual report. It's currently proposed to also provide financial performance guidance for FY18 at this time. It is the Board's and the Senior Executive team's expectation that, not only will we continue to grow revenue this financial year, but given the significant investments made in FY17, there will be a marked improvement and normalisation of Operating Return.

Additional information

Additional Appendix 4E disclosures can be found in the Notes accompanying the Statement of Profit or Loss and other comprehensive income and Statement of Financial Position.

This Appendix 4E is based on the 30 June 2017 financial report, which is in the process of being audited by Stantons International Audit and Consulting Pty Ltd (Stantons International).

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016 $
Continuing operations			
Revenue			
Revenue	3	54,869,005	33,934,350
Other income		149,973	222,646
Total Revenue		**55,018,978**	**34,156,996**
Cost of sales	4	(43,344,464)	(27,971,377)
Gross Profit		11,674,514	6,185,619
Expenses			
Share based payments		(111,630)	-
Depreciation & amortisation expenses	4	(519,007)	(110,009)
Employee benefits	4	(7,303,695)	(4,414,010)
Legal costs	4	(128,949)	(33,978)
ASX and registry related expenses		(65,979)	(80,219)
Marketing expense		(490,113)	(308,205)
Occupancy expenses		(861,191)	(520,778)
Professional fees	4	(303,434)	(337,317)
Telecommunication carrier expenses		(375,366)	(141,439)
Other expenses		(1,260,754)	(902,417)
Total expenses		**(11,420,118)**	**(6,848,372)**
Profit / (Loss) before impairment		254,396	(662,753)
Profit / (Loss) from continuing operations before income tax expense		**254,396**	**(662,753)**
Income tax (expense) / credit		(153,420)	128,149
Profit / (Loss) after income tax		**100,976**	**(534,604)**
Other comprehensive loss for the year			
Exchange differences on translating foreign subsidiaries		(140,860)	(6,198)
Total comprehensive (loss) for the year		**(39,884)**	**(540,802)**

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 $	2016 $
Current Assets			
Cash and cash equivalents	**5**	3,265,859	3,078,326
Trade and other receivables	**6**	8,172,252	6,298,691
Work In Progress		309,578	220,676
Other assets		648,499	273,602
		12,396,188	9,871,295
Non Current Assets			
Other assets		377,460	187,540
Deferred tax assets	**7**	687,884	723,847
Property plant and equipment		525,536	452,350
Intangibles		14,142,826	14,455,829
		15,733,706	15,819,566
Total assets		**28,129,894**	**25,690,861**
Current Liabilities			
Trade and other payables	**8**	7,361,808	5,018,996
Deferred revenue	**9**	1,712,654	2,029,235
Provisions	**10**	1,413,944	1,352,621
		10,488,406	8,400,852
Non - Current Liabilities			
Provisions	**10**	77,782	48,049
Total Liabilities		10,566,188	8,448,901
Net Asset/ (Deficiency)		**17,563,706**	**17,241,960**
Equity			
Issued capital	**11**	49,615,752	49,365,752
Reserves		(26,763)	2,467
Accumulated losses		(32,025,283)	(32,126,259)
Total Equity		**17,563,706**	**17,241,960**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital $	Shares to be Issued $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2016	**49,365,752**	**-**	**2,467**	**(32,126,259)**	**17,241,960**
Net profit for the year	-	-	-	100,976	100,976
Other comprehensive income for the year	-	-	(140,860)	-	(140,860)
Total comprehensive income for the year	-	-	(140,860)	**100,976**	**(39,884)**
Issue of share capital	250,000	-	-	-	250,000
Option Premium Reserve	-	-	111,630	-	111,630
Capital raising costs	-	-	-	-	-
Shares based payment reserve balance as at 30 June 2017	**49,615,752**	**-**	**(26,763)**	**(32,025,283)**	**17,563,706**
Balance as at 1 July 2015	**33,285,143**	**8,333**	**8,665**	**(31,591,655)**	**1,710,486**
Net (loss) for the year	-	-	-	(534,604)	(534,604)
Other comprehensive income for the year	-	-	(6,198)	-	(6,198)
Total comprehensive loss for the year	**-**	**-**	**(6,198)**	**(534,604)**	**(540,802)**
Transactions with owners in their capacity as owners	-	-	-	-	-
Issue of share capital	14,013,133	-	-	-	14,013,133
Shares to be issued	2,500,000	(8,333)	-	-	2,491,667
Capital raising costs	(432,524)	-	-	-	(432,524)
Balance as at 30 June 2016	49,365,752	-	2,467	(32,126,259)	17,241,960

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
Cash flow from operating activities			
Receipts from customers		57,736,151	36,601,890
Payments to suppliers and employees		(56,682,702)	(38,186,980)
Interest received		15,683	7,055
Income taxes paid		(202,909)	(52,676)
Net cash (used in)/generated by operating activities		866,223	(1,630,711)
Cash flow from investing activities			
Payment for property plant and equipment		(336,465)	(345,261)
Payment for deposits		(187,631)	(176,093)
Cash on acquisition of controlled entities		-	925,816
Acquisition of subsidiaries		(404,594)	(6,990,000)
Net cash (used in)/generated by investing activities		(928,690)	(6,585,538)
Cash flow from financing activities			
Proceeds from issue of shares		250,000	8,575,000
Share issued costs		-	(2,724)
Net cash provided by financing activities		250,000	8,572,276
Net increase in cash and cash equivalents		187,533	356,027
Cash and cash equivalents at beginning of year		3,078,326	2,722,299
Cash and cash equivalents at end of year		3,265,859	3,078,326

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information presented in this Appendix 4E cover MOQ Limited ("Company", "MOQ" or "parent entity") and its controlled entities as a consolidated entity (also referred to as "the Group"). MOQ Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity and is primarily involved in the information technology industry being the field of software and services.

The financial information presented in this Appendix 4E are currently in the process of being audited.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of this Appendix 4E. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the Appendix 4E

Statement of Compliance

This Appendix 4E has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law where possible to the extent relevant for the lodgement of the Appendix 4E under the ASX Listing rules.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial information comply with International Financial Reporting Standards ('IFRS').

It is recommended that this Appendix 4E be read in conjunction with the public announcements made by MOQ Limited during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The Appendix 4E has been prepared on the historical cost basis.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial information, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(b) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. 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 can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.
The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial information.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

(d) Critical accounting estimates

The preparation of the financial information in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in 30 June 2016 annual report.

(e) Principles of consolidation

The consolidated financial information incorporates all of the assets, liabilities and results of the parent (MOQ Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial information of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:
(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(g) Income tax

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

Current income tax expense or revenue for the year is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information.
Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity 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.

Deferred tax assets and liabilities offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax asset and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Plant and equipment

Each class of plant and equipment is carried at cost less any applicable accumulated depreciation and any accumulated impairment losses.

Plant and equipment is measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

The depreciated amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use.

The expected useful life of plant and equipment ranges from 3 to 15 years.

The assets' residual values and useful life are reviewed at the balances date. The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included net in profit or loss.

(i) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated 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	Depreciation Rate
Leasehold improvements	2.5–5%
Plant and Equipment	13.33 – 66.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(j) Leases

At inception of an arrangement, the Group determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Leases reclassified at their inception as either operating or finance leases based on the economic substance of the arrangement so as to reflect the risks and benefits incidental to ownership.

Lease of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases. Finance lease are capitalised by recording an asset and a liability equal to the fair value of the leased property or the present value of the minimum lease payments including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Statement of Profit or Loss and Other Comprehensive Income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are recognised as an expense in the year in which they are incurred. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(k) Financial instruments

The Group initially recognises financial assets on the trade date at which the Group becomes a party to a contractual provision of the instrument.

Financial assets are initially measured at cost. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributed to the asset's acquisition. The Group subsequently measures financial assets at either amortised costs or fair value.

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- The asset is held with an objective to collect cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets other than those classified as financial assets measured at amortised costs are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payment and amortisation.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and financial liabilities are offset when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

(m) Impairments of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after the initial recognition of the asset and that the loss event has a negative effect on the estimated future cash flows of that assets which can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

(n) Impairment of non-financial assets

Intangible assets are tested annually for impairment or more frequently if changes in circumstances indicate that they might be impaired.

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current marked assessment of the time value of money and the risks specific to the asset.

(o) Intangible assets

Software acquired as part of a business combination is recognised separately from goodwill. The software is carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which at present are 4 years.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax.

If the entity reacquires its own equity instruments, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs net of any taxes is recognised directly in equity.

(q) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, and annual leave, including non monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, on an undiscounted basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measure at the rates paid or payable.

Long service leave

The liability for long service leave and annual leave which is not expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made for services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employments are terminated before the normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(s) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held on call with banks, other short term highly liquid investments with an original maturity date of three months or less held and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in Statement of Financial Position.

(t) Revenue

Revenue is measured at the fair value of the consideration received or receivable.
Revenue from services is recognised upon the delivery of the service to the customers.
Revenue from the sale of goods is recognised upon the delivery of goods to the customers.
Deferred revenue for maintenance contracts is recognised in equal amounts over the period for which support is to be provided to a customer, either quarterly or annually.

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

(w) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(x) Trade and other payables

Trade and other payables represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest. These amounts are unsecured and are usually settled within 30 days of recognition.

(y) Operating segments (Note 2)

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) to make financial and operational decisions and to allocate resources. We attribute sales to an operating segment based on the type of product or service provided to the customer.

We have identified three reportable segments, as follows:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- Technology Sales – provision of vendor hardware, software and associated licenses and maintenance contracts,
- Professional Services – provision of a range of specialist services including consulting, project management, systems and software engineering services to assist clients with strategy, architecture, design, development and implementation of ICT solutions.
- Recurring Services – a combination of managed services including operations, support and ICT management, as well as a range of in-house developed commercialized IP and Cloud (SAAS) based solutions.

The consolidated entity operates in one geographical segment being Australia. As a result, no additional geographical segment information has been provided.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTE 2: SEGMENT INFORMATION

The segment information provided to the Board of directors, for the reportable segments for the year ended 30 June 2017 (*Refer to note 1(y)*), is as follows:

30 June 2017	**Recurring Services**	**Professional Services**	**Technology Sales**	**Unallocated**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue from external customers	**10,768,189**	**15,018,743**	**29,082,073**	**-**	**54,869,005**
Other income	-	-	-	149,973	149,973
Total Reportable Segment results	**3,234,011**	**3,210,306**	**5,080,224**	**(11,270,145)**	**254,396**
Total segment assets	-	-	-	28,129,894	28,129,894
Total segment liabilities	-	-	-	10,566,188	10,566,188

30 June 2016	**Recurring Services**	**Professional Services**	**Technology Sales**	**Unallocated**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue from external customers	**4,827,672**	**10,741,641**	**18,365,037**	**-**	**33,934,350**
Other income	-	-	-	222,646	222,646
Total Reportable Segment results	**1,778,251**	**963,751**	**3,220,971**	**(6,625,726)**	**(662,753)**
Total segment assets	-	-	-	25,690,861	25,690,861
Total segment liabilities	-	-	-	8,448,901	8,448,901

	2017 $	2016 $
NOTE 3: REVENUE		
Revenue from services	54,869,005	33,934,350
Interest received	15,684	7,055
Other income	134,289	215,591
Total revenue	55,018,978	34,156,996

NOTE 4: OPERATING PROFIT

Profit before income tax includes the following expenses:

	2017 $	2016 $
(a) Cost of sales		
Technology	24,001,849	15,144,066
Recurring services	7,534,178	3,049,421
Professional services	11,808,437	9,777,890
	43,344,464	27,971,377
(b) Depreciation & Amortisation	519,007	110,009
(c) Employee benefits, other labour and related expenses		
Wages and salaries	5,903,807	2,869,523
Superannuation	460,240	283,170
Other employee benefits expenses	939,648	1,261,317
(d) Legal costs	128,949	33,978
(e) Professional fees		
Consultants fees	97,833	107,033
Compliance fees	205,601	230,284

NOTE 5: CASH AND CASH EQUIVALENTS	$	$
Cash at bank	3,265,859	3,078,326

NOTE 6: TRADE AND OTHER RECEIVABLES

Trade receivables	8,277,188	5,701,823
Provision for doubtful debt	(144,528)	(206,112)
Other receivable	39,592	662,058
Accrued Revenue	-	140,922
	8,172,252	6,298,691

NOTE 7: DEFERRED TAX ASSETS

Deferred Tax Assets	687,884	723,847

	2017 $	2016 $

NOTE 8: TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade creditors	6,222,582	2,716,459
Other payables and accrued expenses	1,139,226	2,302,537
	7,361,808	5,018,996

NOTE 9: OTHER LIABILITIES

	2017 $	2016 $
Deferred revenue	1,712,654	2,029,235
	1,712,654	2,029,235

NOTE 10: PROVISIONS

	2017 $	2016 $
Employee entitlements		
- Provision for Annual Leave	691,735	814,573
- Provision for Long Service Leave – current	722,209	538,048
	1,413,944	1,352,621
Employee entitlements		
- Provision for Long Service Leave – non current	77,782	48,049
	77,782	48,049

NOTE 11: ISSUED CAPITAL

(a)	Details of issue	Share Price $	No. of Shares	Issue Value $
Balance at the beginning of the year			**154,713,558**	**49,365,752**
Dec-16	Securities issued for exercise of options	0.10	900,000	90,000
Dec-16	Issue of earn-out shares to Tetran vendors*		2,857,144	-
Dec-16	Issue of earn-out shares to Skoolbag vendors*		1,250,000	-
May-17	Securities issued for exercise of options	0.10	1,600,000	160,000
Total share capital			**161,320,702**	**49,615,752**

**The issues of shares were related to the acquisitions of Tetran and Skoolbag, whereby shares were to be issued conditional upon certain performance targets being met.*

(b) As at 30 June 2017 the Company had the following unlisted options on issue:

ASX Code	Balance at 30/06/2016	Balance at 30/06/2017	Exercise price	Expiry
MOQOPT7	16,667	16,667	$7.00	12/02/2018
	-	3,690,901	$0.275	01/09/2020*

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

NOTE 12: CONTINGENT ASSETS/LIABILITIES

The company also notes that there may be a contingent liability in respect of the issue of shares related to performance hurdles in Skoolbag, subject to performance exceeding expectations.

**3,690,901 unlisted and unvested employee options with an exercise price of $0.275 expiring on 1st September 2020, issued 1st September 2016.*