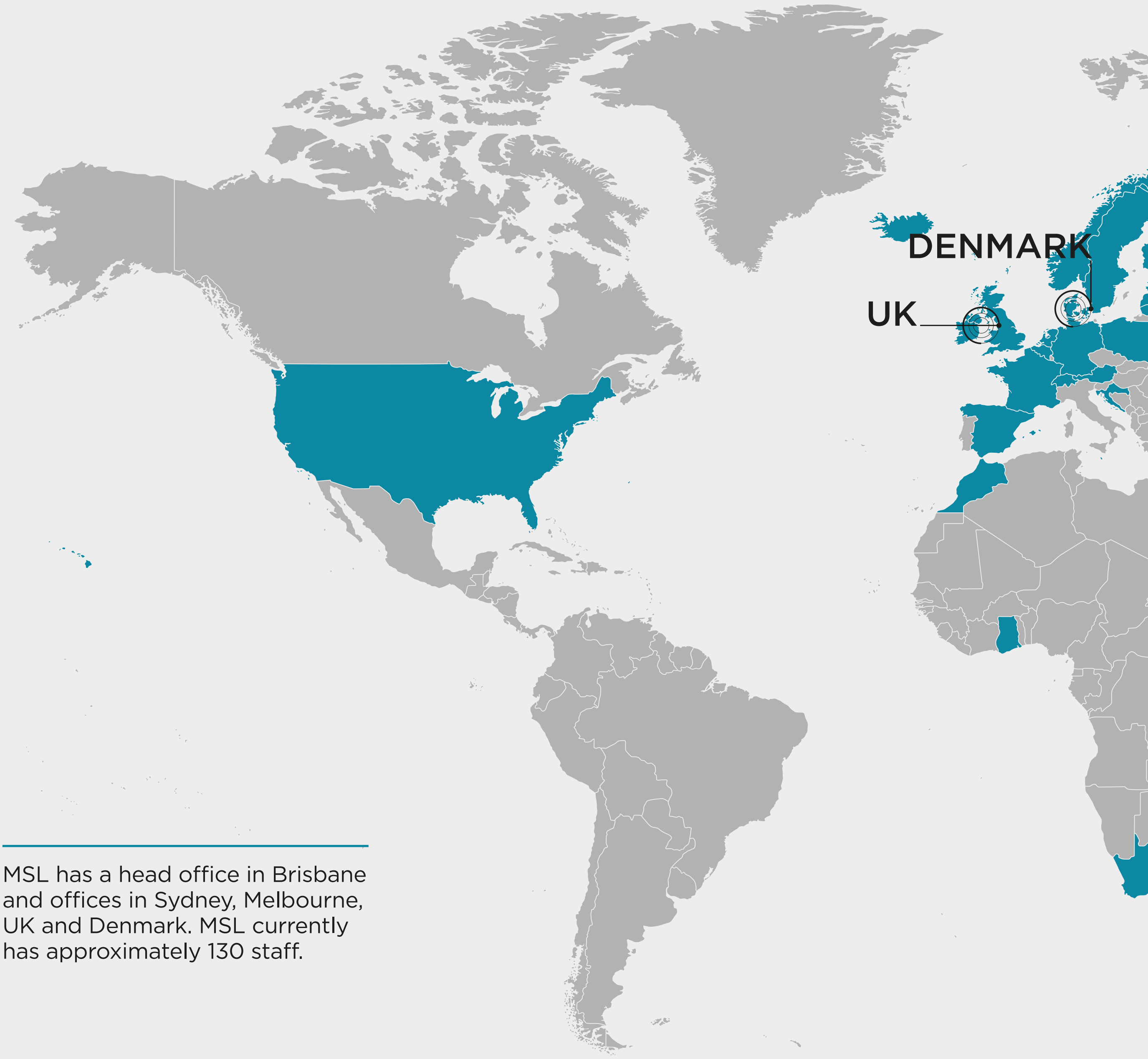
M•POWER MSL

ANNUAL REPORT 2018

PERFORMANCE HIGHLIGHTS 2018

A$33.6m REVENUE	A$5.6m NPATA	A$5.2m EBITDA
▲UP 44%	▲UP 93%	▲UP 148%

NPATA and EBITDA is adjusted to exclude significant expense items and includes other income as outlined in Note 1 and Note 5 of the financial statements.



MSL has a head office in Brisbane and offices in Sydney, Melbourne, UK and Denmark. MSL currently has approximately 130 staff.

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

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

2,400+
CLIENTS

25+
COUNTRIES

CONTENTS

CHAIRMAN'S REPORT

"

As we currently stand MSL is a market leader in Australia and UK. We have continued to expand into Asia, Europe, Middle-East and the Americas in 2018. The company now has approximately 2,400 customers in circa 25 countries globally.

John Down
Chairman

On behalf of the Board it is my pleasure to present the annual report for fiscal year 2018.

I am also pleased to be able to reconfirm MSL's status as a leading provider of solutions that enhance the income generating potential of the sports, hospitality, entertainment and stadium member-based organisation (MBO) market across the Americas, Asia Pacific, Europe and the Middle East. Our solutions materially improve the profitability of our customers.

During the year the company continued to deliver on its committed strategic growth, and to strengthen and develop its governance practices, processes and capabilities. MSL has achieved revenue growth with a compound annual growth rate (CAGR) of 57% over the last three years, with organic growth over this period being between 15% to 20% annually.

In 2018 MSL grew its topline operating revenues by 44%, 20% organically and a further 24% through strategic acquisitions. MSL continues to focus on achieving significant top-line revenue growth and market share globally. Offshore revenue constituted 50% of the group's total revenue for FY18.

There can be no bottom line without a top line, and we have been able to generate a strong NPATA profit in line with expectations coupled with positive operating cashflows. Our first year in the capital market is now behind us. The overarching focus is to settle the business into a growth trajectory that builds on our performance to date and is clear and convincingly achievable.

We have as a Board presided over and approved a compelling growth strategy to be implemented over the next four years. This is supported by an executive team capable of delivering it. Craig will have more to say on this in due course.

As we currently stand MSL is a market leader in Australia and UK. We have continued to expand into Asia, Europe, Middle-East and the Americas in 2018. The company now has approximately 2,400 customers in circa 25 countries globally.

Worthy of specific mention is our expanded presence in the UAE when in May 2018 we formalised the establishment of a branch office in Dubai to allow the company to take advantage of a growing pipeline of opportunities in the region being triggered by Expo 2020.

We are at the end of the beginning, and we are all excited and committed to the journey ahead. On behalf of the MSL Directors, I look forward to welcoming you to our 2018 Annual General Meeting in November and having the opportunity to present our 2018 financial year performance to you in detail.

Sincerely,

John Down
Chairman

MANAGING DIRECTOR'S REPORT

"

Operating revenue of $33.6 million for the year was in line with our guidance, and up 44% on the prior reporting period. Of this growth 20% was generated organically, and 24% primarily from the strategic European acquisitions in the prior year.

Craig G Kinross

Managing Director & Chief Executive Office

The MSL team are pleased to have delivered on our growth objectives for 2018, and we are excited by the near-term growth opportunities opening to us to grow our company in the sport, leisure & hospitality sectors in the international markets both organically and through acquisitions.

All our customers in the sport, leisure & hospitality market globally talk to us about a priority need to enhance engagement with their guests and optimise their visitor experience. Increased engagement improves the venues sustainability by diversifying and increasing their revenue streams. We live in an ever-connected world, and guests at a sport, leisure or hospitality venue respond well to the improved experience that technology can provide.

MSL exists to optimise the fan/guest engagement at a venue, we believe that all fans/guests deserve a premium and personalised experience. Our platform sweet-spot is assisting the venue to understand who is attending a venue, what they are doing whilst at the venue and utilising this information to provide a better personalised experience to the fan/guest. This redefines their venue operations and allows them to thrive as a business generating more revenue.

The relevance of the MPower MSL platform to meet our market needs has been confirmed internationally. We are now successfully deployed in approximately 2,400 venues in more than 25 countries globally.

Over the last three years MSL have delivered on a strong cumulative annual growth rate (CAGR) of 57%. Organically the business has been growing at between 15% to 20% annually over this time and continuing to consolidate value accretive acquisitions each year. We expect to continue achieving these average rates of topline organic revenue growth in coming years and continuing to bring on strategic acquisitions.

A highlight is that almost half of the company revenues are recurring in nature, and this is an important measure of growth for our company. The Annual Recurring Revenue (ARR) at June 2018 was $16.8 million, providing the company with great confidence in achieving its goals in the periods ahead.

Reflecting our success in the global marketplace, for the first time in the company's history half of the annual revenues have been generated in the international markets in 2018 confirming the real need for the MSL platform. We expect the share of revenues generated offshore to continue to increase relative to the Australian revenues in the coming years.

MSL has achieved these growth objectives, whilst also achieving strong NPATA profits and with positive operating cashflows. We continue to invest above market rates in the MPower technology platform and into new geographic and adjacent markets to support future growth initiatives. We expense all this investment in the year incurred, and do not capitalise any research and development spend, despite it being a key driver of future year's growth in the business.

We would like to thank the entire MSL team for their efforts in 2018. It has been great to be part of a top-class global team collaborating so well to achieve the momentum we have in the market, with a very strong set of values focused on our committed customer base.

2017-18 FINANCIAL PERFORMANCE

Operating revenue of $33.6 million for the year was in line with our guidance, and up 44% on the prior reporting period. Of this growth 20% was generated organically, and 24% primarily from the strategic European acquisitions in the prior year.

In the current year $15.8 million or 47% of operating revenue is sticky recurring annuity revenue. This compares to $12.1 million in the prior reporting period. The annual recurring revenue (ARR) as at 30 June 2018 was $16.8 million. The exciting growth is in the SaaS/subscription revenues that grew over 40% in 2018 to make up $6.6 million of the recurring annuity revenue.

Net profit after tax before amortisation (NPATA) and significant items was a profit of $5.6 million. Amortisation in the year associated with the prior acquisitions of intangibles was $4.5 million.

The final FY18 EBITDA before significant items of $5.2 million was ultimately impacted by the following items:

- Approximately $1.8 million of revenue from sales executed prior to 30 June 2018 was not able to be recognised in FY18 due to timing of delivery of obligations;
- Other income of $1.1 million represents net proceeds from the sell-down of MSL's investment in Zuuse of $0.6 million, and $0.5 million from the release of an earn out provision;
- During the year MSL brought forward investment of circa $1.4 million in product development and overseas expansion that was not forecasted, however is expected to deliver future growth in earnings; and
- In addition, the Company made key senior appointments to strengthen the management and sales teams globally.

During the year, as noted earlier, MSL has also continued to invest in its proprietary software and data solutions spending over $5.7 million or 17% of revenue (2017: $4.3 million, 18% of revenue) on our solutions. The company policy is to expense all of this to the profit and loss statement, rather than capitalise these costs as is the practice by many companies in the software sector.

OPERATIONS

We have continued to achieve good growth outcomes in each of our key market segments, with the main disappointment in 2018 being below par expectations in our new MPower Media segment. The core MPower Venues & MPower Golf business units performed well.

The new growth product lines previously highlighted separately of MPower BI and MPower Media are now being consolidated within the MPower Venue and MPower Golf business units.

Operationally we have established a structure to drive global functional excellence to enhance our ability to accelerate growth in these domains, and we have continued to attract high caliber leaders, experienced to drive growth in our business. These functions include:

- Sales
- Marketing
- Professional Services
- Product Management
- Research & Development
- Customer Service & Support
- Finance & Administration

GROWTH STRATEGY

MSL's stated objectives are to grow organically and through strategic acquisitions in a large global fragmented market.

The company is targeting a customer base of over 5,000 venues over the next 4-year period, whilst continuing to grow MPower Platform solutions at existing customer venues increasing our average revenue per customer.

Over time, we see our business scaling and driving functional excellence to achieve NPATA margins above 30% in line with comparable companies in international markets.

We expect the seasonality skew of 60% of our revenues in the second half of the year to continue in the coming year with profitability generated in the second half of the year. Looking forward we will influence smoothing of this skew with increases in our recurring revenue base and expansion into markets such as the US that have a local financial year end of 31 December.

MANAGING DIRECTOR'S REPORT

Organically our growth opportunities can be summarised as follows:

- Current segments – strong future growth opportunities driving target organic growth with operational efficiencies as the business scales:
  - Australian golf, pubs and leagues clubs;
  - UK stadia and arena market.
- New markets:
  - Global golf market – an opportunity that is evolving with the movement of the world golf market to a unified world handicap system in 2020 creating golf system opportunities in all major golf countries worldwide;
  - UAE hospitality and leisure venues – Expo 2020 is driving a significant pipeline of opportunities in hospitality venues in the region;
  - United States – utilizing our strong iconic references from the Europe and Australia markets there are opportunities for us to penetrate the US sport and entertainment market;
  - Sporting Associations –replicating our success in golf working closely with various associations on data and administration activities right down to grass-roots venues.
  - Retirement Living – a significant global market is opening up with new retirement living venues being structured much like a club venue focused on their members. Added to this a number of retirement living venues are being established with or near lifestyle venues such golf clubs or bowls clubs.
- New products:
  - Further establishment of MSL's data platform with increasing data-sets providing a 360 degree one-customer view at a venue;
  - Transaction systems such as Point of Sale being extended and deployed anywhere, anytime on any device to improve the guest experience.

The new market and new product growth items are company making opportunities opening up now we are a credible international player. The company will look to reinvest a share of profits into these initiatives to accelerate future growth.

In addition to the organic growth opportunities, MSL continue to work through various stages of qualifying a pipeline of acquisition opportunities.

MSL has demonstrated a strong track-record of successfully acquiring good businesses and integrating these into the core operations. 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 to be an efficient and relatively low-cost growth strategy to build our presence and expand our customer base.

MSL's key criteria for assessing acquisitions are:

- Growth of the marketplace of clients;
- Filling a gap in relation to technology or staff capabilities;
- Positively improve EBITDA; and
- Complement the international profile of MSL.

INVESTMENTS

Zuuse

At 30 June 2018, MSL continues to hold a 10% investment in the Zuuse business, which is being held for sale. The asset in the balance sheet is recorded at $1.9 million.

MSL recent sales of Zuuse at 65c would value the remaining holding at $5.4 million.

Zuuse is non-core to the MSL business and is a full asset lifecycle solution with market leading technology blending 3D building information modeling (BIM) capability, mobility and information management.

Thank you for your continuing support in our business, we remain focused on achieving our growth objectives for MSL. I look forward to providing you with a business update at our Annual General Meeting in November.

Craig Kinross
Managing Director & Chief Executive Officer

MSL 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.

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 2018. As part of the Company's IPO, Mr Down voluntarily agreed to escrow all fully paid shares held at the date of listing (being 7,385,347 ordinary shares), which will be released from escrow upon release of the FY18 results under the terms of the agreement.

MSL BOARD OF DIRECTORS

Craig Kinross
Managing Director & Chief Executive Officer

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.

Interest in Shares and Options

10,748,271 fully paid Ordinary Shares of MSL Solutions Limited were held by Mr Kinross and associated entities as at 30 June 2018. As part of the Company's IPO, Mr Kinross voluntarily agreed to escrow all fully paid shares held at the date of listing (being 10,498,271 ordinary shares), which will be released from escrow upon release of the FY18 results under the terms of the agreement.

Ian Daly
Non-Executive Director

Ian joined the Board in December 2009 bringing over 48 years of first hand 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.

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 2018. As part of the Company's IPO, Mr Daly voluntarily agreed to escrow all fully paid shares held at the date of listing (being 8,821,429 ordinary shares), which will be released from escrow upon release of the FY18 results under the terms of the agreement.

Kaylene Gaffney
Non-Executive Director

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.

Interest in Shares and Options

80,000 fully paid Ordinary Shares of MSL Solutions Limited were held by Ms Gaffney and associated entities as at 30 June 2018.

MSL BOARD OF DIRECTORS

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 and is a Director of Holmac Holdings Pty Ltd.

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

Interest in Shares and Options

12,871,917 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 2018. As part of the Company's IPO, Dr Holzgrefe voluntarily agreed to escrow all fully paid shares held at the date of listing (being 12,561,917 ordinary shares), which will be released from escrow upon release of the FY18 results under the terms of the agreement.

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.

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 2018. As part of the Company's IPO, Mr Trude voluntarily agreed to escrow all fully paid shares held at the date of listing (being 250,000 ordinary shares), pending completion of the FY18 results.

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.

2018

DIRECTORS' REPORT

DIRECTOR'S 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 for the year ended 30 June 2018 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
Mr Ian M Daly	December 2009
Ms Kaylene J Gaffney	March 2017
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

PRINCIPAL ACTIVITIES

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

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

MSL provides scalable full venue business software applications and data solutions integrated 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 2018 were related to sales, implementation and support of the MPower platform and component solutions to our customer base, and also included the acquisition of assets of Xcite Media Pty Ltd on 9 January 2018, and the acquisition of Pricap Services Pty Ltd on 1 May 2018.

KEY FINANCIAL RESULTS

The table below provides a summary of the FY18 results, with a comparison to the prior year's statutory performance:

RESULTS SUMMARY FOR THE YEAR ENDED 30 JUNE 2018	FY18	FY17	VARIANCE	
STATUTORY RESULTS	A$ MILLION	A$ MILLION	A$ MILLION	%
Revenue from operating activities	33.6	23.4	10.2	44%
Other income[1]	1.5	0.7	0.8	
Total revenue & income	**35.1**	**24.1**	**11.0**	**46%**
Costs of sales	(9.0)	(5.4)	(3.6)	
Gross margin	**26.1**	**18.7**	**7.4**	**40%**
Sales and Marketing	(4.8)	(4.6)	(0.2)	
Customer support and techincal services	(5.4)	(3.8)	(1.6)	
Research and Development expenses	(5.4)	(4.3)	(1.1)	
General and Administration expenses	(5.3)	(3.9)	(1.4)	
Operating expenses before significant items	**(20.9)**	**(16.6)**	**(4.3)**	
Adjusted [1] EBITDA	**5.2**	**2.1**	**3.1**	**148%**
Significant expense items	(0.9)	(9.8)	8.9	
EBITDA	**4.3**	**(7.7)**	**12.0**	**156%**
Depreciation	(0.2)	(0.2)	-	
Amortisation	(4.5)	(4.1)	(0.4)	
EBIT	**(0.4)**	**(12.0)**	**11.6**	**97%**
Net finance income/(costs)	(0.3)	-	(0.3)	
NPBT	**(0.7)**	**(12.0)**	**11.3**	**94%**
Income tax benefit	0.8	1.0	(0.2)	
NPAT [2]	**0.1**	**(11.0)**	**11.1**	**101%**
NPATA	**4.6**	**(6.9)**		
Adjusted[1] NPATA	**5.6**	**2.9**	**2.7**	**93%**

1 Adjusted EBITDA and Adjusted NPATA excludes significant expense items of $0.9m predominately relating to transaction related expenses, and includes other income from the release of an earn out provision (FY18: $0.5m, FY17: $0.7m) and gain on the sale of Zuuse shares (FY18: $0.6m, FY17: Nil). The prior year was result was restated for revenue and expense allocation (refer to *Note 1* and *Note 5* of the financial statements).

2 The Company's NPAT benefited from a revision to the useful life of acquired intangible assets in FY17, resulting in a lower amortisation charge compared to forecast, and the income tax benefit for FY18 was enhanced due to higher than forecasted R&D tax concessions and foreign based income at lower corporate tax rates.

COMPANY STRATEGY

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

MSL connects the full 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 24* of the Financial Statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

As at the reporting date, MSL has on issue 249,248,965 ordinary shares. During the period, the Company continued the growth and development of its customer base and product offerings through the acquisitions of:

- Xcite Media Pty Ltd (assets only) - an Australian company specialising in music video and member engagement products in the private clubs and venues industry.
- Pricap Services Pty Ltd - an Australian company focused on the development and sale of software for the golf industry.

Furthermore, during the financial year, the Company recognised revenue from the following transactions:

- An accouting gain of $490k from the reversal of the earnout provision for the Pallister acquisition. In the prior corresponding period, a similar gain of $687k was recorded from the reversal of the earnout provision for the Marketown Media acquisition.
- The Company sold 1,472,346 shares of its shareholding in Zuuse Limited at a price of $0.65 per share. Cash proceeds of $957k was received, and a net gain on sale of $627k was included in other income for the period.

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:

- On 1 July 2018 segment consolidation of MPower Media and MPower BI segments to be integrated into MPower Golf and MPower Venue segments based on their customers.
- On 1 July 2018, MSL has created two new segments focusing on the retirement living community and the sports association segment. These segments will form the Emerging Markets segment.

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;
- Expand services to clients geographically through investment into new markets; and
- Focus on increasing revenue and market share in the markets in which it operates, and enter new markets.

ENVIRONMENTAL ISSUES

There are no significant environmental regulations applying to the Company.

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		
KJ Down	14	14	-	-	3	3
CG Kinross	14	14	-	-	-	-
IM Daly	14	14	4	4	-	-
KJ Gaffney	14	14	4	4	-	-
RW Holzgrefe	14	14	4	4	3	3
DD Trude	14	14	-	-	3	3

There were no meetings held for the Nomination Committee for the year ended 30 June 2018.

REMUNERATION REPORT – AUDITED

The information provided in the remuneration report relates to the Company for the year ended 30 June 2018 and has been audited as required by section 308(3C) of *the Corporations Act (2001)*.

The directors present the MSL Solutions Limited FY18 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 KMP's
6. Contractual arrangements with executive KMP's
7. Non-executive director arrangements
8. Additional Statutory information

REMUNERATION HIGHLIGHTS

PERFORMANCE HIGHLIGHTS	
Group Operating Revenue of $33.6m (up 44%)	Group revenue of $33.6 million was up 44% in FY18 due to organic growth within the Group, plus the material impact of the European acquisitions. This result was materially in line with the Prospectus forecast.
Group NPATA of $5.6m (up 93%)	Group NPATA of $5.6 million was up 93% compared to the prior year, and materially in line with the Prospectus forecast.
REMUNERATION HIGHLIGHTS	
Initial Public Offering	The Board tailored remuneration outcomes for senior executives based on a strategy of increasing shareholder value and achieving an equity event for shareholders. The IPO therefore resulted in a number of one-off expenses and equity bonus payments, which were accrued in FY17 and paid in FY18.
Group Remuneration	Fixed Remuneration is expected to increase in FY18 by an average of 2.5% across the Group. This is consistent with the Group's remuneration strategy of maintaining a position at or above the 50% percentile based on market survey.
Managing Director & CEO Remuneration	Total FY18 remuneration was $320K (FY17: $3,215K), as: › base salary of $300K (FY17: $150K) › nil cash bonus (FY17:$800K) › nil non-cash share bonus (FY17 $2,217k) › leave & other benefits of $20k (FY17: $28k) The FY17 cash bonus and share bonus were considered one-off events, associated with the IPO.
LTI Incentive Plan	Total vested and exercisable options as at 30 June 2018 are 2,871,429 (FY17: 2,871,429).
Non-Exec Director Fees	Total Non-Executive Remuneration for FY18 was $240K 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	
Ian Daly	
Richard Holzgrefe	
Kaylene Gaffney	
David Trude	
EXECUTIVE DIRECTORS	
Craig Kinross	Managing Director & Chief Executive Officer

1.2 OTHER KEY MANAGEMENT PERSONNEL (KMP)

KEY MANAGEMENT PERSONNEL (KMP)	
Andrew Ritter	Chief Financial Officer & Company Secretary [1]
James Aleman	Chief Revenue Officer
Gregory Davies	Chief Operating Officer
Ashis Govind [2]	Chief Technology Officer
Kieran Branagan [2]	Chief Product & Innovation Officer
Paul Shipley	Interim Chief Financial Officer [1]

[1] Andrew Ritter was appointed as Company Secretary on 27 March 2017, and then subsequently appointed Chief Financial Officer on 17 August 2017. During FY17 Paul Shipley was interim Chief Financial Officer, and upon Mr Ritter's appointment Mr Shipley was the Company's Group Financial Controller up until his date of resignation on 30 November 2017. For FY18, Mr Shipley was deemed to be KMP up to 17 August 2017.

[2] During FY18, Ashis Govind and Kieran Branagan were formally appointed to executive roles. However they have been considered as KMP for the full year based on the duties and responsibilities they performed throughout the twelve month period.

1.3 CHANGES SINCE THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, James Aleman has been appointed to the role of Chief Operating Officer. As a transition to retirement, Greg Davies has remained as a consultant to the Company to focus on executing the Group's acquisition growth strategy.

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 FY2018
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	Managing Director: 33% of FR Execs: 20%-60% of FR	STI's were set based on over-achievement of FY18 EBITDA Budget
Long Term Incentive (LTI)	Alignment to long-term shareholder value	Increase in shareholder value	Managing Director: 7.4 x FR Execs: 80% of FR	Refer note below

For FY18, there was no LTI issued in respect of financial performance, as the company had only recently undertaken an IPO. During FY17, the MSL Board, in preparation for a planned equity event, had set STI and LTI objectives for the CEO and executives, in accordance with the strategy of increasing shareholder value and achieving an equity event for shareholders.

For FY19, the Board will continue its adopted remuneration strategy on mix of STI and LTI, which is consistent with the strategy used by other listed companies in the Software sector. From 1 July 2018 the Board intends to adopt a performance rights plan for long-term incentive purposes.

2.1 BALANCING SHORT-TERM AND LONG-TERM PERFORMANCE

STI's 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 STI's for CEO and KMP's have been based on achievement of revenue and EBITDA targets, and have been set at 20% to 60% of FR.

Prior to the IPO in late FY17, LTI's were designed to promote long-term stability in the management team, and to achieve shareholder return and an equity event for shareholders. The current long-term incentives will be allocated by the Board and assessed on an annual basis to promote long term shareholder return.

The target remuneration mix for FY18 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 CEO, KMP and other management personnel to ensure remuneration packages are 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.

During FY18, the Board consolidated the various STI plans across the group, with a view to aligning STI payments to financial targets to promote consistent achievement of financial targets.

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 FY18, fixed remuneration was adjusted for the following KMP's:

- CEO – prior to March 2017, the CEO's total remuneration mix had a higher proportion of LTI and lower proportion of fixed remuneration, to reflect the strategy of increasing shareholder value and achieving an equity event. In March 2017, the total remuneration package and remuneration mix was adjusted to align the remuneration with the median level for comparative roles, and this change was applied effective 1st July 2017;
- Chief Technology Officer – effective 1st August, 2017, the total remuneration package was set to align the remuneration with the median level for comparative roles and reflect the appointment of Mr Govind to the role
- Chief Product & Innovation Officer – effective 1st December 2017, the total remuneration package was set to align the remuneration with the median level for comparative roles and reflect the appointment of Mr Branagan to the role.

3.2 SHORT-TERM INCENTIVES

Figure 2: Structure of the Short Term Incentive Plan

FEATURE	DESCRIPTION			
Max opportunity	CEO and other executives: 20 - 60% of fixed remuneration			
Performance metrics	The STI metrics align with our strategic priority of consistent achievement of financial targets.			
	Metric	Target	Weighting	Reason for selection
	EBITDA Achievement	BU or Group target	100%	Reflects profitable growth in line with forecast
Delivery of STI	100% of the STI award is paid in cash at the end of the financial year			
Board discretion	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.			

The Company has completed a number of acquisitions in recent years, and as a result some executives had STI plans based on metrics other than as outlined in Figure 2. In FY18, the Board started the process of consolidating the various STI plans across the group, with a view to aligning STI payments based solely on Net Revenue and EBITDA achievement, in order to promote consistent achievement of financial targets.

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. During FY18, the Board received independent advice from McCullough Robertson on the structure and conditions relevant to the LTIP. LTI grants held during FY2017 had been set by the Board, based on that advice and on a strategy of increasing shareholder value and achieving an equity event such as an IPO, these grants had no performance hurdles in place and immediately vested. Grants were exercisable from grant date with an exercise price targeted at a minimum 40% increase in share value from the grant date. As part of the strategy moving forward the Board will now consider performance hurdles as part of the vesting considerations as it sees fit.

During FY18, the Board implemented a target remuneration mix for FY18 for CEO, KMP and other management personnel which is more 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 intends to allocate LTI grants during FY19, in line with these targets.

Figure 3: Structure of the LTI Plan

FEATURE	DESCRIPTION
Opportunity/ Allocation	The value of LTIP will be determined based on independent market salary survey. The number of LTIP to be allocated will be determined using the Black-Scholes method for valuation of LTIP.
Performance hurdle	Current grants under this LTIP do not include additional performance hurdles other than exercise price. 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.
Exercise price	The exercise price for options granted prior to IPO was based on a target of 40% increase over the most recent share trade prior to grant date. Future LTIP grants will be determined by the Board and the exercise price will be determined based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the week up to and including the date of the grant.
Forfeiture and termination	Options will lapse 5 years after grant. Options will be forfeited on cessation of employment unless the Board determines otherwise, eg in the case of retirement due to injury, disability, death or redundancy.

4. LINK BETWEEN REMUNERATION AND PERFORMANCE

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, and therefore some one-off bonus or KPI payments have been made for non KMP executives, in accordance with their employment contracts.

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 KMP's. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded. It should be noted that FY17 included a number of one-off technical accounting adjustments related to acquisitions and IPO, which will not be evident in future years.

Figure 4: Statutory Performance Indicators

	FY18	FY17
Adjusted NPATA	5,563	2,946
NPAT ($'000)	88	(11,020)
Dividends per share (cps)	Nil	Nil
Earnings per share (cps)	0.04	(9.38)

Net profit after tax excluding amortisation (NPATA) is the measure used for statutory performance since the Group recognises computer software and customer contracts from acquisitions as intangible assets which 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.

The Company's share price on listing was $0.25 per share, and the share price as at 30 June 2018 was $0.195 per share down from $0.325 per share as at 30 June 2017.

5. REMUNERATION EXPENSES FOR EXECUTIVE KMP

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

Figure 5: Executive remuneration

		FIXED REMUNERATION					VARIABLE REMUNERATION				
NAME	YEAR	CASH SALARY	NON-MONETARY BENEFITS	ANNUAL & LONG SERVICE LEAVE	POST EMPLOYEE BENEFITS	OTHER	CASH BONUS	OPTIONS	SHARES	TOTAL	% PERFORMANCE RELATED
Executive Directors											
Craig Kinross	2018	280,980	-	14,008	19,020	5,980	-	-	-	319,988	0
	2017	150,000	-	10,994	20,230	17,120	800,000	(33,093)	2,250,000	3,215,251	94%
Other Key Management											
James Aleman	2018	195,000	-	5,534	19,263	-	45,000	-	-	264,797	17%
	2017	81,000	-	6,123	7,695	-	-	18,833	-	113,651	17%
Andrew Ritter [1]	2018	243,655	-	-	23,146	-	-	-	-	266,801	0%
	2017	14,366	-	-	1,365	-	-	-	-	15,730	0%
Greg Davies	2018	180,000	-	4,416	18,166	15,600	-	-	-	218,182	0%
	2017	153,538	-	13,356	28,632	-	40,000	(2,613)	130,926	363,839	46%
Ashis Govind [2]	2018	143,880	-	(1,037)	13,669	12,800	-	-	-	169,311	0%
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	0%
Kieran Branagan [2]	2018	150,192	-	8,557	17,118	30,114	30,000	-	-	235,982	13%
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	0%
Paul Shipley [1]	2018	18,461	-	-	1,753	-	-	-	-	20,214	0%
	2017	153,386	-	6,166	15,569	-	10,000	-	-	185,121	5%
TOTAL	**2018**	**1,212,168**	**-**	**31,479**	**112,134**	**64,494**	**75,000**	**-**	**-**	**1,495,275**	**5%**
TOTAL	2017	552,290	-	36,639	73,491	17,120	850,000	(16,873)	2,380,926	3,893,592	83%

1 Andrew Ritter was appointed as Company Secretary on 27 March 2017, and then subsequently appointed Chief Financial Officer on 17 August 2017. During FY17 Paul Shipley was interim Chief Financial Officer, and upon Mr Ritter's appointment Mr Shipley was the Company's Group Financial Controller up until his date of resignation on 30 November 2017. For FY18, Mr Shipley was deemed to by KMP up to 17 August 2017.

2 During FY18, Ashis Govind and Kieran Branagan were appointed to executive roles which are considered to be KMP roles based on the duties and responsibilities performed throughout the period.

6. CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMP'S

COMPONENT	CEO & MANAGING DIRECTOR	OTHER KMP
Fixed Remuneration	$300,000	Range between $160,000 and $250,000
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:

Andrew Ritter	Services are provided under a Services Contract which incorporates both the Chief Financial Officer and Company Secretary duties. The terms and conditions of that services contract for the services provided to the company, are consistent with those outlined in the above table.
Kieran Branagan	STI payment for the period to 30 December 2017, included a component based on specific KPI's associated with the Executive's temporary assignment during FY17 to assist with the transition of UK based acquisition.

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

		FIXED REMUNERATION					VARIABLE REMUNERATION				
NAME	YEAR	CASH SALARY	NON-MONETARY BENEFITS	ANNUAL & LONG SERVICE LEAVE	POST EMPLOYMENT BENEFITS	OTHER	CASH BONUS	OPTIONS	SHARES	TOTAL	% PERFORMANCE RELATED
Non-executive Directors											
John Down	2018	48,000	-	-	-	-	-	-	-	48,000	0%
	2017	36,000	-	-	-	-	-	-	-	36,000	0%
Richard Holzgrefe	2018	48,000	-	-	-	-	-	-	-	48,000	0%
	2017	36,000	-	-	-	11,055	-	-	-	47,055	0%
Ian Daly	2018	48,000	-	-	-	-	-	-	-	48,000	0%
	2017	36,000	-	-	-	-	-	-	-	36,000	0%
Kaylene Gaffney	2018	43,836	-	-	4,164	-	-	-	-	48,000	0%
	2017	14,612	-	-	1,388	-	-	-	-	16,000	0%
David Trude	2018	43,836	-	-	4,164	-	-	-	-	48,000	0%
	2017	14,612	-	-	1,388	-	-	-	-	16,000	0%
TOTAL	**2018**	**231,672**	**-**	**-**	**8,328**	**-**	**-**	**-**	**-**	**240,000**	**0%**
TOTAL	2017	137,224	-	-	2,776	11,055	-	-	-	151,055	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 FY18.

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

	SHORT TERM INCENTIVE			LONG TERM INCENTIVE		
NAME	TOTAL OPPORTUNITY	FORFEITED	AWARDED	TOTAL OPPORTUNITY	FORFEITED	AWARDED
Craig Kinross - CEO	50,000	100%	0%	-	-	-
James Aleman[2] - KMP	120,000	62%	38%	-	-	-
Andrew Ritter - KMP	-	0%	0%	-	-	-
Greg Davies - KMP	45,000	100%	0%	-	-	-
Ashis Govind - KMP	20,000	100%	0%	-	-	-
Kieran Branagan[1] - KMP	30,000	13%	87%	-	-	-

[1] Kieran Branagan - STI payment for the period to 30 December 2017, included a component based on specific KPI's associated with the Executive's temporary assignment during FY17 to assist with the transition of UK based acquisition

[2] James Aleman – STI payment for the period from commencement was based on completion of specific KPI's relating to the product of sales and marketing materials. These KPI's were achieved by 31 July 2017. For the remainder of FY18, the STI opportunity was in line with other KMP.

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%

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.

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 FY2017. 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
Kieran Branagan ^	1,035,714	-	-	1,035,714	1,035,714
Ashis Govind ^	214,286	-	-	214,286	214,286
Paul Shipley *	214,286	-	(214,286)	-	-
	4,121,429	**-**	**(214,286)**	**3,907,143**	**3,907,143**

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	7,385,347
Richard Holzgrefe	12,611,917	260,000	-	12,871,917	12,561,917
Ian Daly	9,214,286	-	-	9,214,286	8,821,429
Kaylene Gaffney	80,000	-	-	80,000	-
David Trude	300,000	-	-	300,000	250,000
Craig Kinross	10,498,271	250,000	-	10,748,271	10,498,271
Greg Davies	1,254,119	-	-	1,254,119	-
James Aleman	40,000	-	-	40,000	-
Kieran Branagan ^	545,622	-	-	545,622	-
Ashis Govind ^	-	20,000	-	20,000	-
Paul Shipley *	770,000	-	(770,000)	-	-
	42,699,562	**530,000**	**(770,000)**	**42,459,562**	**39,516,964**

^ Key management personal not previously reported.

* Key management personal exiting from the Group during the year.

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 FY18, 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 27 November 2017. A resolution was put to shareholders to pass the adoption of the Company's remuneration report, which was passed. Proxy votes received were 91.72% in favour of the resolution.

INDEMNIFYING DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium of $65,600 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 intends to adopt 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 2018 are as follows:

GRANT DATE	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

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)*. No non-audit services were provided by the Company's auditor during the financial year.

REMUNERATION REPORT

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:

A) PRICEWATERHOUSECOOPERS ("PwC") AUSTRALIA

i. Audit and other assurance services

	2018	2017
Audit & review of financial statements	205,000	206,000
Due diligence services	-	430,000
	205,000	**636,000**

B) NETWORK FIRMS OF PwC AUSTRALIA

i. Audit and other assurance services

	2018	2017
Audit & review of financial statements		
- PwC United Kingdom	50,750	28,000
- PwC Denmark	14,700	11,000
	65,450	**39,000**

C) NON-PwC AUDIT FIRMS

i. Audit and other assurance services

	2018	2017
Audit & review of financial statements	-	26,000
Audit & review fees capatilsed due to nexus with IPO	-	159,000
	-	**185,000**
TOTAL AUDITOR REMUNERATION	**270,450**	**860,000**

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 2018.

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

Craig Kinross
Managing Director and Chief Executive Officer

Dated at Brisbane this 31st day of August 2018.

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of MSL Solutions Limited for the year ended 30 June 2018, 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
31 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

2018

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	JUN-18 $'000	JUN-17 $'000 RESTATED
Revenue	4	33,600	23,409
Other income	4	1,461	707
Cost of sales		(9,014)	(5,409)
Sales and marketing expenses		(4,819)	(4,577)
Customer support and technical services		(5,405)	(3,776)
Research and development expenses	6	(5,397)	(4,270)
General and administration expenses		(5,293)	(7,374)
Other gains and expenses (net)		(309)	(4,697)
Depreciation expense	8(a)	(154)	(167)
Amortisation expense	8(b)	(4,557)	(4,122)
Transaction and restructuring costs	3(d)	(609)	(1,028)
Finance costs (net)		(214)	(779)
Profit/(Loss) before income tax		**(710)**	**(12,083)**
Income tax benefit	6	798	1,063
Profit/(Loss) for the period		**88**	**(11,020)**
Other comprehensive income for the year		2,147	235
Total comprehensive income/(loss) for the period		**2,235**	**(10,785)**
Profit/(Loss) attributable to:			
Owners of MSL Solutions Limited		88	(11,020)
		88	**(11,020)**
Total comprehensive profit/(loss) for the period attributable to:			
Owners of MSL Solutions Limited		2,235	(10,785)
		2,235	**(10,785)**

EARNINGS PER SHARE FROM LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY		CENTS	CENTS
Basic earnings per share	21	0.04	(9.38)
Diluted earnings per share	21	0.03	(9.38)

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-18 $'000	JUN-17 $'000 RESTATED
ASSETS			
Current assets			
Cash and cash equivalents	7(b)	6,647	11,897
Trade and other receivables	7(a)	6,272	6,336
Assets classified as held for sale	8(f)	1,881	2,212
Other current assets		801	573
Total current assets		**15,601**	**21,018**
Non-current assets			
Receivables	7(a)	2,171	888
Property, plant and equipment	8(a)	249	306
Intangible assets	8(b)	43,327	41,856
Other non-current assets		208	185
Total non-current assets		**45,955**	**43,235**
Total assets		**61,556**	**64,253**
LIABILITIES			
Current liabilities			
Trade and other payables	7(c)	5,327	5,852
Borrowings	7(d)	39	225
Provisions	8(e)	4,099	5,296
Income tax payable		773	461
Deferred revenue		5,958	5,899
Total current liabilities		**16,196**	**17,733**
Non-current liabilities			
Trade and other payables	7(c)	-	988
Deferred tax liabilty	8 (c)	2,305	3,522
Provisions	8(e)	305	1,398
Total non-current liabilities		**2,610**	**5,908**
Total liabilities		**18,806**	**23,641**
Net assets		**42,750**	**40,612**
EQUITY			
Contributed equity	9(a)	60,988	61,085
Reserves	9(b)	2,485	338
Accumulated losses	9(c)	(20,723)	(20,811)
Total equity		**42,750**	**40,612**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	SHARE-BASED PAYMENT RESERVE $'000	TOTAL EQUITY-RESTATED $'000
Balance as at 1 July 2016	**21,629**	**(9,791)**	**-**	**234**	**12,072**
Total comprehensive income for the year					
Profit/(loss) for the year - as reported	-	(10,764)	-	-	(10,764)
Impact of restatment		(256)			(256)
Other comprehensive income	-	-	235	-	235
Total comprehensive income for the year - restated	**-**	**(11,020)**	**235**	**-**	**(10,785)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	39,306	-	-	(150)	39,156
Share-based payments expense	150	-	-	19	169
Total transactions for the year	**39,456**	**-**	**-**	**(131)**	**39,325**
Balance as at 30 June 2017 - restated	**61,085**	**(20,811)**	**235**	**103**	**40,612**
Total comprehensive income for the year					
Profit/(loss) for the year	-	88	-	-	88
Other comprehensive income	-	-	2,147	-	2,147
Total comprehensive income for the year	**-**	**88**	**2,147**	**-**	**2,235**
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**	**(20,723)**	**2,382**	**103**	**42,750**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	JUN-18 $'000	JUN-17 $'000
Cash flows from operating activities			
Receipts from customers		37,486	22,067
Research and development incentives received		-	721
Payments to suppliers, employees and others		(36,965)	(23,171)
Finance costs		(5)	-
Interest received		74	3
Income tax paid		(183)	(140)
Net cash flows from operating activities	10(a)	**407**	**(520)**
Cash flows from investing activities			
Capital expenditure		(113)	(251)
Purchase of intangibles		-	(1,525)
Acquisition of subsidiaries, net of cash & cash equivalents	3	(5,979)	(18,724)
Proceeds from disposal of investment		957	35
Net cash flows from investing activities		**(5,135)**	**(20,465)**
Cash flows from financing activities			
Issuance of share capital		-	15,975
Repayment of borrowings		(191)	(174)
Issuance of converting notes		-	17,000
Costs paid on issuance of share capital		(129)	(1,930)
Costs paid on issuance of converting notes		-	(779)
Net cash flows from financing activities		**(320)**	**30,092**
Net cash inflow/(outflow) for the period		**(5,048)**	**9,107**
Cash at beginning of the period		11,741	2,634
Effect of foreign exchange		(46)	-
Cash at end of the period		**6,647**	**11,741**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

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

- The acquisition of certain assets of Xcite Media Pty Ltd on 9 January 2018 (see *Note 3*), which resulted in the recognition of intangible assets (*Note 8*) and goodwill (*Note 8*).
- The acquisition of PriCap Services Pty Ltd on 1 May 2018 (see *Note 3*), which resulted in the recognition of intangible assets (*Note 8*) and goodwill (*Note 8*).

Furthermore, during the financial year, the Company recognised revenue from the following transactions:

- An accouting gain of $490k from the reversal of the earnout provision for the Pallister acquisition. In the prior year, a similar gain of $687k was recorded from the reversal of the earnout provision for the Marketown Media acquisition.
- The Company sold 1,472,346 shares of its shareholding in Zuuse Limited at a price of $0.65 per share. Cash proceeds of $957k was received, and a net gain on sale of $627k was included in other income for the year.

RESTATEMENT OF PRIOR YEAR RESULTS

The prior year results have been restated for the following reasons:

- Following a review of the acquisition balance sheet of Golfbox A/S the provisional deferred revenue was adjusted to increase deferred revenue by $283k. As a result of this adjustment prior period revenue has been adjusted by $87k. Further details can be found in *Note 3*.
- A review of the revenue recognised in relation to a multi-element contract entered into in the prior year. The impact of this adjustment was $169k.
- As a result of the above, goodwill was increased by $470k (refer to *Note 8(b)*).

2. SEGMENT INFORMATION

A) DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES

The Group's executive management examines the Group's performance from a product perspective with entities in similar markets grouped on an international level. For the financial year the following are the identified reportable segments:

1. **MPower Venue**: services the stadia, arena and registered clubs (excluding golf clubs) on a global basis.
2. **MPower Golf**: service the golf clubs and associations market on a global basis.
3. **MPower Media**: Services the sports, leisure and hospitality clients with loyalty/media member engagement solutions and facilitates relationships with media partners.
4. **MPower BI**: services the sports, leisure, and hospitality clients with a business analytics service providing historical, current, and predictive views of business operations.
5. **Corporate**: Group overheads and on costs that are monitored on a global basis.

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

B) SEGMENT REVENUE AND SEGMENT ADJUSTED EBITDA

YEAR ENDED 30 JUNE 2018	SEGMENT REVENUE $'000	SEGMENT ADJUSTED EBITDA $'000
MPower Venue	20,657	2,757
MPower Golf	9,706	3,092
MPower BI	1,909	1,099
MPower Media	1,328	700
Corporate	-	(3,633)
Total	**33,600**	**4,015**

YEAR ENDED 30 JUNE 2017	SEGMENT REVENUE $'000	SEGMENT ADJUSTED EBITDA $'000
MPower Venue	14,308	2,215
MPower Golf	7,589	1,258
MPower BI	659	(113)
MPower Media	853	262
Corporate	-	(2,258)
Total	**23,409**	**1,364**

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 (FY17) has been restated in line with *Note 1*. Other income is excluded from the segment results.

Geographical earnings

Revenue of Verteda Holdings Limited of $12,821k 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 2018 as per the company's accounting policy detailed in *Note 24*.

Revenue of GolfBox A/S of $4,034k 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 2018 as per the company's accounting policy detailed in *Note 24*.

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-18 $'000	JUN-17 $'000
Segment Adjusted EBITDA	**4,015**	**1,364**
Transaction and restructuring costs	(609)	(1,028)
Foreign exchange losses	(214)	(324)
Senior management bonus	-	(3,342)
Fair value movement on financial liability	(94)	(4,339)
Finance costs (net)	(214)	(812)
Depreciation & amortisation	(4,711)	(4,289)
Gain on reversal of earnout provisions	490	687
Gain on sale of investments (Zuuse)	627	-
(Loss) before income tax	**(710)**	**(12,083)**

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 5* for further details on the above significant items (excluding depreciation and amortisation).

3. 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.

In January and May 2018, MSL expanded with the acquisition of Xcite Media Pty Ltd (assets) and the shares of Pricap Services Pty Ltd.

Both acquisitions will be integrated into the MSL Group and the relevant operating segments.

The following table provides a breakdown of the consideration paid for each acquisition:

	UPFRONT CONSIDERATION $'000	DEFERRED AND CONTINGENT CONSIDERATION $'000	TOTAL CONSIDERA-TION $'000	CONSIDERATION REMAINING AT 30 JUNE 2018 $'000
Xcite Media Pty Ltd	375	100	475	100
Pricap Services Pty Ltd	1,600	900	2,500	900
Total	**1,975**	**1,000**	**2,975**	**1,000**

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

	PAYMENTS MADE DURING FY18			
ACQUISITION	UPFRONT $'000	DEFERRED $'000	CONTINGENT $'000	TOTAL $'000
Infogenesis Pty Ltd	-	38	-	38
Rockit Pty Ltd (GCS)	-	75	25	100
Verteda Holdings Ltd	-	339	2,084	2,423
GolfBox A/S	-	1,468	-	1,468
Xcite Media Pty Ltd *	375	-	-	375
Pricap Services Pty Ltd *	1,575	-	-	1,575
	1,950	**1,920**	**2,109**	**5,979**

* Pricap Services Pty Ltd had $25k cash on hand as at the date of acquisition. The assets of Xcite Media Pty Ltd acquired by MSL did not include cash.

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

	BALANCE OF PAYMENTS OWING AS AT 30 JUNE 2018			
ACQUISITION	UPFRONT $'000	DEFERRED $'000 NOTE 7(C)	CONTINGENT $'000 NOTE 8(C)	TOTAL $'000
Rockit Pty Ltd (GCS)	-	50	12	62
Pallister Games	-	-	660	660
GolfBox A/S	-	541	1,989	2,530
Xcite Media Pty Ltd	-	-	100	100
Pricap Services Pty Ltd	-	450	450	900
	-	**1,041**	**3,211**	**4,252**

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

A) ACQUISITION OF XCITE MEDIA ("XCITE")

i Summary of acquisition

On 9 January 2018, MSL acquired the intellectual property and the customer support contracted revenue from Xcite Media Pty Ltd. Xcite is a music and member engagement generating product that the Group is integrating into its suite of products offered to customers. The acquisition has provided significant growth opportunities that benefit MSL in the following ways:

- Extending sales of the products outside NSW through MSL's existing customer base; and
- Cross-selling opportunities for MSL products into Xcite Media clients by packaging the products with other existing MSL member engagement products.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

The consideration paid to acquire Xcite Media includes $475k in cash made up of the following:

- $375k upon completion, paid on 9 January 2018;
- $100k upon completion of a warranty period of 6 months, due 9 July 2018.

The assets and liabilities recognised as a result of the acquisition are as follows:

SUMMARY OF ACQUIRED NET ASSETS - PROVISIONAL AMOUNTS	$'000
Debtors	33
Deferred revenue	(33)
Intangible - Customer contracts and relationships	380
Deferred tax liability	(114)
Fair value of net assets acquired	**266**
Purchase consideration	
Cash paid	375
Contingent consideration	100
	475
Goodwill	**209**

The goodwill is attributable to the expected continued growth of the customer base and cross selling opportunities to clients of other Group entities.

Acquired receivables

The fair value of trade and other receivables on acquisition is deemed to be equal to the gross contractual amounts, with the expectation that all receivables are recoverable in full.

Revenue and profit contribution

Revenue of Xcite included in the Group revenue since the acquisition date 9 January 2018 amounted to $239k. Profits of Xcite included in the Group profit/(loss) since the acquisition date amounted to $217k inclusive of amortisation expense of $22k on the acquired Contracts and Customer Relationships.

Had the results of Xcite been included for the full year ending 30 June 2018, it would have contributed revenue of $521k and profit of $473k.

ii Purchase consideration – cash outflow

As noted at the beginning of *Note 3*, an upfront consideration payment of $375,000 was paid on 9 January 2018, and the assets of Xcite acquired by MSL did not include cash.

Acquisition-related costs are included in 'transaction costs' in profit or loss and discussed in further detail in *Note 3*(d).

B) ACQUISITION OF PRICAP SERVICES PTY LTD ("PRICAP")

i Summary of acquisition

On 1 May 2018, MSL acquired 100% of the issued share capital of Pricap Services Pty Ltd ("Pricap") which operates in the golf management software industry in Australia.

The acquisition has provided growth opportunities that benefit MSL in the following ways:

- Enhanced MSL's growth in the golf markets in Australia;
- Pricap's solution set is complementary to the solution set currently offered by MSL.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The consideration paid to acquire Pricap includes $2,500,000 in cash and shares made up of the following:

- $1,600,000 cash, paid upon completion 1 May 2018;
- $450,000 deferred cash payment to be paid six months after completion date, being 1 November 2018;
- $450,000 in earnout ($340,000 in cash and $110,000 in shares) to be paid within 20 days of the completion of the earnout period, being 1 November 2018.

The assets and liabilities recognised as a result of the acquisition are as follows:

SUMMARY OF ACQUIRED NET ASSETS - PROVISIONAL AMOUNTS	$'000
Cash	25
Customer monies	(24)
Accrued expenses	(9)
Intangible - Customer contracts and relationships	929
Intangible - Software	239
Deferred tax liability	(292)
Fair value of net assets acquired	**868**

Purchase consideration	
Cash paid	1,600
Deferred payment - cash	450
Holdback earnout - cash	340
Holdback earnout - shares	110
	2,500
Goodwill	**1,632**

The goodwill is attributable to the expected continued growth of the customer base and cross selling opportunities to clients of other Group entities.

Significant estimate: Contingent consideration

On acquisition date, the fair value of the contingent consideration of $450,000 was calculated using the 'income approach', based on the acquiree's earnings expectations.

Acquired receivables

The fair value of trade and other receivables on acquisition is deemed to be equal to the gross contractual amounts, with the expectation that all receivables are recoverable in full.

Customer monies

Pricap collects monies from golf club members and redistributes this to the golf clubs. As such, at any point in time Pricap will hold customer monies prior to distribution back to the golf clubs. As at the date of acquisition, customer monies held was $24k.

Accrued expenses

As at the date of acquisition Pricap's GST obligations are recorded as part of the accrued expenses.

Revenue and profit contribution

Revenue of Pricap included in the Group revenue since the acquisition date 1 May 2018 amounted to $162k. Profits of Pricap included in the Group profit/(loss) since the acquisition date amounted to $78k (prior to amortisation expenses) and $51k inclusive of amortisation expenses of $27k of the acquired Contracts and Customer Relationships and Software.

Had the results of Pricap Services been included for the full year ending 30 June 2018, it would have contributed revenue of $972k and profit of $306k.

ii Purchase consideration – cash outflow

As noted at the beginning of *Note 3*, an upfront consideration payment of $1,600,000 was paid on 1 May 2018, and the cash acquired was $25,437.

Acquisition-related costs are included in 'transaction costs' in profit or loss and discussed in further detail in *Note 3(d)*

C) CONTINGENT CONSIDERATION

The below table illustrates the contingent consideration movement for the financial years ended 30 June 2017 and 30 June 2018:

	MARKETOWN $'000	INFOGENESIS $'000	ROCKIT $'000	VERTEDA $'000	GOLFBOX $'000	PALLISTER GAMES $'000	PRICAP $'000	XCITE $'000	TOTAL $'000
Balance 1 July 2016	**588**	**500**	**925**	**-**	**-**	**-**	**-**	**-**	**2,013**
Add:									
Current contingent consideration	-	-	6	3,251	-	-	-	-	3,257
Non-current consideration	-	-	-	-	1,896	1,150	-	-	3,046
Fair value adjustment	-	-	89	-	-	-	-	-	89
Foreign exchange through profit and loss	-	-	-	169	-	-	-	-	169
Less:									
Contingent consideration paid	-	(500)	(432)	(1,203)	-	-	-	-	(2,135)
Accelerated earnout	-	-	(530)	-	-	-	-	-	(530)
(Gains)/losses accounting profit or (loss)	(588)	-	(52)	(47)	-	-	-	-	(687)
Balance 30 June 2017	**-**	**-**	**6**	**2,170**	**1,896**	**1,150**	**-**	**-**	**5,222**
Add:									
Current contingent consideration	-	-	31	-	-	-	450	100	581
Fair value adjustment	-	-	-	-	94	-	-	-	94
Foreign exchange through profit and loss	-	-	-	(86)	(1)	-	-	-	(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**
Current - payable within 12 months	-	-	12	-	1,989	480	450	100	3,031
Non-current - payable after 12 months	-	-	-	-	-	180	-	-	180
	-	**-**	**12**	**-**	**1,989**	**660**	**450**	**100**	**3,211**

Rockit Pty Ltd ("Rockit")

During the prior year (FY17), the Group entered into a deed of variation with the vendors which amended the earnout liability from being a mixture of shares and cash to a simple cash payment for earnout targets in calendar years 2017 and 2018. During the year $25k of the earnout provision for Rockit was paid for performance targets met for the 2017 calendar year. The provision balance is being added to monthly as the consideration is linked to continued employment. This provision is expected to be paid for the 2018 calendar year.

Verteda Holdings Limited ("Verteda")

During the financial year the full value of the earnout provision for Verteda was paid as performance targets were met.

GolfBox A/S ("GolfBox")

The performance targets for the GolfBox earnout is assessed on the audited results for the financial years ended 30 April 2017 and 30 April 2018. The Group determined that based on these results an earnout provision of DKK 9,385,903 (A$1,988,539) is payable, which was paid to the vendors of GolfBox on 3 July 2018.

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. The Group determined that based on the results for the year ended 30 June 2018 the earnout target for 2018 of $300k had been met and is payable. In addition, the Group entered into a deed of variation with the vendor which amended the earnout liability for the remaining years, such that the vendor would become an employee of the Group to promote growth in the Media segment, and the contingent consideration for 2019 and 2020 be reduced to $180k per year. As a result, a gain on reversal of the earnout provision of $490k has been included in Other income in the Consolidated Statement of Profit or Loss.

Pricap Services Pty Ltd ("Pricap")

As discussed in *Note 3*b(i) part of the consideration for the acquisition of Pricap is based on performance targets. At 30 June 2018, the timeframe for the completion of these conditions has not been met.

Xcite Media Pty Ltd ("Xcite")

As discussed in *Note 3*a(i) part of the consideration for the acquisition of Xcite is contingent on a warranty period of six months, ending 9 July 2018. At 30 June 2018, the timeframe for the completion of these conditions has not been met.

D) TRANSACTION AND RESTRUCTURING COSTS

During the financial year ended 30 June 2018 the Company incurred $534k (FY17 $991k) of transaction costs that related to the acquisition of Xcite Media Pty Ltd and Pricap Services Pty Ltd, along with other due diligence costs for acquisitions that did not proceed or still in progress. These costs included professional advisory fees, additional salary costs and travel incurred to perform the required due diligence and affect the completion of the acquisitions. Restructuring costs of $75k (FY17: $37k) were considered as one-off items following a review of the Company's operations.

4. REVENUE

The Company derives the following types of revenue:

	JUN-18 $'000	JUN-17 $'000
Recurring Revenue		
Customer contracts annuities	9,248	7,416
Subscription annuities	6,577	4,662
Total - Recurring revenue	**15,825**	**12,078**
Non-recurring revenue		
Booking Fees	209	250
System Installations	3,565	2,693
Software Fees and Royalties	6,799	2,324
Hardware Fees	6,259	3,964
Advertising	822	1,825
Other	121	275
Total - Non-recurring revenue	**17,775**	**11,331**
Revenue from operating activities	**33,600**	**23,409**
Other Income		
Gain on sale of an asset	627	14
Gain on reversal of earnout provision	490	687
Other income received	270	3
Interest received from financial institutions	74	3
Total other income	**1,461**	**707**

Revenue from operating activities is derived from the sale of software licences (on both a subscription and perpetual basis), hosting and support fees, IT infrastructure and hardware and income from system installations and implementations. In addition, commission is earned on bookings on sites such as iSeekGolf and merchant sales on the Buying Club website.

MSL Solutions Limited is domiciled in Australia and has wholly-owned overseas subsidiaries in United Kingdom and Denmark.

OTHER INCOME

The gain on sale of an asset of $627k arose from the sale of 1,472,346 shares in Zuuse Limited at $0.65 per share.

An accounting gain of $490k resulted from the reversal of the earnout provision for the Pallister Games acquisition. Refer to *Note 3*(c) for further details.

In addition, during the financial year the Company received $220k from the settlement of a commercial dispute with a supplier, and has accrued $50k of expected grant income for the Export Marketing & Development Grant (EMDG).

RECOGNISING REVENUE FROM MAJOR BUSINESS ACTIVITIES

Revenue is recognised for the major business activities using the methods outlined below.

Customer contracts annuities – (deferred revenue)

Timing of recognition: The Group recognises the revenue from customer care and support contracts in the period that the support is provided. 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 – (deferred revenue)

Timing of recognition: The Group recognises the revenue from SaaS or subscription contracts in the period that the software and associated support is provided. 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 per subscription license module. Various modules have differing subscription prices.

Booking fees

Timing of recognition: The Group accounts for booking revenue when funds have been received by the Group for rounds of golf booked through iSeek Golf product offering to clubs and associations.

Measurement of revenue: Booking revenue is based on commission charged to golf clubs for rounds booked and paid for on the iSeek Golf platform. Revenue is based on the booking made, net of the funds to be remitted to the golf clubs upon the completion of the round played.

System installations/professional services – (deferred revenue)

Timing of recognition: Revenue from system installations is recognised in the accounting period in which 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 proportion of the total services to be provided (percentage of completion method).

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.

Software fees and royalties

Timing of recognition: The Group sells a large range of software applications. Sales are recognised when the software applications are delivered to the customer. Delivery has occurred when the end user has received the software, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

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.

Hardware fees

Timing of recognition: The Group sells a large range of hardware applications. Sales are recognised when the hardware applications are delivered to the wholesale supplier of the products. Delivery has occurred when wholesaler has notified the Group that the products are on their premises and the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

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 in accordance with contract milestones and/or advert impressions.

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

5. 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:

	NOTE	JUN-18 $'000	JUN-17 $'000
Accounting gains included in other income			
Gain on reversal of earnout provisions	4	490	687
Gain on sale of investments (Zuuse)	4	627	-
		1,117	**687**
Significant expense items			
Transaction and restructuring costs	3(d)	(609)	(1,027)
Foreign exchange losses	5(a)	(215)	(324)
Senior management bonus		-	(3,342)
Fair value movement on financial liability		(94)	(4,339)
Finance costs		(279)	(812)
		(1,197)	**(9,844)**

Refer to *Note 4* for further details on the accounting gains included in other income as noted above. Transaction and restructuring costs are detailed under *Note 3(d).* The remaining significant expense items are explained further below:

A) FOREIGN EXCHANGE LOSSES

Included in the consideration for the acquisitions of Verteda and GolfBox are deferred acquisition payments (refer to *Note 7(c)*) and contingent consideration based on performance targets (refer to Note(e)). As these provisions are payable in the acquiree's domicile currency (being Pound Sterling or 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.

B) FAIR VALUE MOVEMENT ON FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT AND LOSS

During the reporting year, the contingent consideration for the GolfBox acquisition was revised and the provision was increased by $94k to reflect an increased financial performance compared to when the contingent consideration provision was accounted for on acquisition.

C) FINANCE COSTS

During the reporting year, the Company sold a perpetual licence to an Australian based customer, and provided a financing arrangement whereby the customer will pay for the licence over an 86 month period. As a result, a discount has been applied to represent the present value of the receivable, which has resulted in a $173k charge to the income statement. This amount will be unwound over the 86 month period.

The Company also sold a perpetual licence to a UK based customer, and provided a financing arrangement whereby the customer will pay for the licence over a 36 month period. As a result, a discount has been applied to represent the present value of the receivable, which has resulted in a $106k charge to the income statement. This amount will be unwound over the 36 month period.

The total finance charges of $279k are disclosed under *Note 7(a)* for other receivables.

The finance costs on the prior period primarily relate to the costs associated with the capital raising via convertible notes which took place in FY17.

6. INCOME TAX EXPENSE/(BENEFIT)

A) INCOME TAX EXPENSE/(BENEFIT)

	NOTE	JUN-18 $'000	JUN-17 $'000
Income tax expense/(benefit)			
Current tax		698	256
Deferred tax	Below	(1,496)	(1,513)
Adjustments for deferred tax expense of prior period		-	194
Total income tax expense/(benefit)	**6(b)**	**(798)**	**(1,063)**
(Increase)/decrease in deferred tax assets	8(c)	(285)	(292)
Increase/(decrease) in deferred tax liabilities	8(c)	(1,212)	(1,027)
Total deferred tax expense/(benefit)		**(1,497)**	**(1,319)**

B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	JUN-18 $'000	JUN-17 $'000
Profit/(loss) from continuing operations before income tax expense	**(710)**	**(12,083)**
Tax at the Australian tax rate of 30% (2017: 30%)	(213)	(3,625)
Adjust for tax effect of:		
- Fair value movement on financial liability through profit and loss	28	1,302
- Share based payments	-	756
- Transaction costs	77	338
- Gain on reversal of earnout provision	(147)	(206)
- R&D tax incentive	(279)	(67)
- Other (deductibe)/non-allowable items	3	(90)
- Adjustments for income tax expense at prior period	-	271
- Derecognition of previously recognised tax losses	-	288
- Difference in tax rate of foreign jurisdictions	(267)	(30)
Total income tax expense/(benefit)	**(798)**	**(1,063)**
Amounts charged to equity		
- Deferred tax asset arising from equity raising costs	**(37)**	**(521)**

In the prior year (FY17), the Group de-recognised $288k of carry forward tax losses. While the Group may still be able to utilise these losses in the future it is deemed unlikely due to the significant changes in ownership and business since the losses were incurred.

i 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 assets are recognised only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses. As such the Group has de-recognised $288k of carry forward tax losses for the year ending 30 June 2017. While the Group may still be able to utilise these losses in the future it is deemed unlikely due the age of the losses and the significant changes in ownership and business since the losses were incurred.

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 $279k for the incentive in Australia. In the United Kingdom an increased tax deduction of 225% is available for eligible expenditure, which has been factored in to the tax position for the Group.

ii 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.

7. FINANCIAL ASSETS AND LIABILITIES

The Group holds the following financial assets and liabilities:

FINANCIAL ASSETS	NOTES	ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS $'000	FINANCIALS ASSETS AT AMORTISED COST $'000	TOTAL $'000
2018				
Trade and other receivables	7(a)	-	8,443	**8,443**
Cash and cash equivalents	7(b)	-	6,647	**6,647**
2017				
Trade and other receivables	7(a)	-	7,224	**7,224**
Cash and cash equivalents	7(b)	-	11,897	**11,897**

FINANCIAL LIABILITIES	NOTES	ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS $'000	FINANCIALS ASSETS AT AMORTISED COST $'000	TOTAL $'000
2018				
Trade and other payables	7(c)	-	5,327	**5,327**
Borrowings	7(d)	-	39	**39**
Contingent Consideration - Earnout provision	7(e)	3,211	-	**3,211**
2017				
Trade and other payables	7(c)	-	6,840	**6,840**
Borrowings	7(d)	-	225	**225**
Contingent Consideration - Earnout provision	7(e)	5,222	-	**5,222**

The Group's exposure to various risks associated with the financial instruments is discussed in *Note 12.* 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.

A) TRADE AND OTHER RECEIVABLES

	NOTE	JUN-18 $'000	JUN-17 $'000
Current			
Trade receivables		4,218	5,436
Allowance for doubtful debts		(106)	(114)
		4,112	**5,322**
Other receivables			
Accrued revenue for contracted work		1,235	1,014
Accrued revenue for licences		988	-
Less: discount to present value	5(c)	(63)	-
		2,160	**1,014**
Total		**6,272**	**6,336**

	NOTE	JUN-18 $'000	JUN-17 $'000
Non-Current			
Trade receivables		39	41
Loan receivable - related party	18	872	847
		911	**888**
Other receivables			
Accrued revenue for licences		1,476	-
Less: Finance costs	5(c)	(216)	-
		1,260	**-**
Total		**2,171**	**888**

Further information relating to loans to related parties is set out in *Note 18*.

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 24*.

ii Other receivables

Other receivables represents accrued revenue for long-term projects as at the reporting date, whereby a portion of the revenue has been recognised, and the invoicing and subsequent cash collection is deferred until later periods. As noted in the table above, in relation to the licence software revenue, these amounts have been discounted to their present value and the Group is confident these amounts are fully recoverable.

iii 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.

iv Impairment and risk exposure

The Group routinely assesses the collectability of its receivables, and has included an allowance for doubtful debts of $106k for the reporting period. Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in *Note 12(b)* and *12(c)*.

B) CASH AND CASH EQUIVALENTS

i 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:

	NOTE	JUN-18 $'000	JUN-17 $'000
Deposits on call		2,648	8,037
Cash at bank		3,999	3,860
Bank overdraft - classified as borrowings	7(d)	-	(156)
		6,647	**11,741**

ii 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 24* for the Group's other accounting policies on cash and cash equivalents.

C) TRADE AND OTHER PAYABLES

	NOTE	JUN-18 $'000	JUN-17 $'000
Current			
Trade payables		1,795	1,966
Other payables		2,491	2,538
Deferred consideration on business combinations	3	1,041	1,348
		5,327	**5,852**
Non-Current			
Deferred consideration on business combinations		-	988
		-	**988**

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.

D) BORROWINGS

	NOTE	JUN-18 $'000	JUN-17 $'000
Secured			
Bank overdraft - secured	7(b)	-	156
Lease liabilities - secured (refer below)		39	69
Total secured current borrowings		**39**	**225**
Total current borrowings		**39**	**225**
Lease liabilities - secured			
Payable:			
- Within one year		31	29
- Later than one year but not later than 5 years		11	49
Total future minmum lease payments		42	78
Less: future finance charges		(3)	(9)
		39	**69**

i Finance leases

The Group leases various plant and equipment with a carrying value of $42k (2017 – $69k) under finance leases expiring in less than 12 months as at the reporting date.

ii Fair value

For all borrowings, the fair value is not materially different to their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

iii Risk exposures

Details of the Groups exposure to risks arising for current and non-current borrowings are set out in *Note 12*.

E) RECOGNISED FAIR VALUE MEASUREMENTS

i 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 18			
	NOTE	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial liabilities					
Contingent consideration - Earnout provision	8(e)	-	-	(3,211)	(3,211)
Total Financial liabilities		**-**	**-**	**(3,211)**	**(3,211)**

		30 JUN 17			
	NOTE	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial liabilities					
Contingent consideration - Earnout provision	8(e)	-	-	(5,222)	(5,222)
Total Financial liabilities		**-**	**-**	**(5,222)**	**(5,222)**

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.

ii 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.

iii 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 entity's knowledge of the business and how the current economic environment is likely to impact it.

8. NON-FINANCIAL ASSETS AND LIABILITIES

A) PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	FIXTURES & FITTINGS $'000	MOTOR VEHICLE $'000	TOTAL $'000
As at 1 July 2016					
Cost or fair value	13	913	202	24	1,152
Accumulated depreciation	(6)	(744)	(146)	(19)	(915)
Net book amount	**7**	**169**	**56**	**5**	**237**
Year ending 30 June 2017					
Opening net book amount	7	169	56	5	237
Exchange differences	-	33	7	-	40
Additions	-	133	63	-	196
Depreciation charge	(1)	(143)	(22)	(1)	(167)
Closing net book amount	**6**	**192**	**104**	**4**	**306**
As at 1 July 2017					
Cost or fair value	14	1,079	272	24	1,387
Accumulated depreciation	(8)	(887)	(168)	(20)	(1,081)
Net book amount	**6**	**192**	**104**	**4**	**306**
Year ending 30 June 2018					
Opening net book amount	6	192	104	4	306
Reclassification	-	(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**
At 30 June 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**

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 7d* for further details):

LEASED ASSETS	PURCHASE PRICE $'000	DEPRECIATION $'000	BOOK VALUE $'000
Laptops & peripherals	79	(37)	42

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 assets 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 24* for all other accounting policies relevant to property, plant and equipment.

B) INTANGIBLE ASSETS

	NOTE	GOODWILL $'000	COMPUTER SOFTWARE, OTHER $'000	FORMATION EXPENSES $'000	CONTRACTS AND CUSTOMER RELATIONSHIPS $'000	TOTAL $'000
As at 1 July 2016						
Cost or fair value		4,320	5,249	2	10,029	19,600
Accumulated depreciation		-	(2,191)	-	(1,560)	(3,751)
Net book amount		**4,320**	**3,058**	**2**	**8,469**	**15,849**
Year ending 30 June 2017						
Opening net book amount		4,320	3,058	2	8,469	15,849
Exchange differences		-	(3)	-	-	(3)
Additions		13,796	4,151	-	11,715	29,662
Additions - Business combinations (restated)		470	-	-	-	470
Depreciation charge		-	(1,669)	-	(2,453)	(4,122)
Closing net book amount		**18,586**	**5,537**	**2**	**17,731**	**41,856**
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	340	-	1,003	2,705
Additions - Business combinations	3	1,841	239	-	1,309	3,389
Amortisation charge		-	(1,285)	-	(3,272)	(4,557)
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**

Comparatives have been restated to align with current year presentation.

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 24* for the other accounting policies relevant to intangible assets and *Note 24* for the Group's policy regarding impairments.

ii Customer contracts

The customer contracts were acquired as part of a business combination (see *Note 3* for details). 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 (see *Note 14* for details). 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: adjustment to Goodwill due to finalisation of acquisition accounting base

As part of the consolidated financial statements for the year ended 30 June 2017, the Group provisionally reported acquired net assets for both Golfbox A/s and Verteda Holdings Limited. These provisional amounts were prepared with information available at the time.

Golfbox A/S

The acquisition balance sheet was adjusted to reflect an increase in deferred revenue of $283k following the review of the deferred revenue previously reported as a provisional amount. This has resulted in an associated increase in goodwill for the same value.

Verteda Holdings Limited

The acquisition balance sheet was adjusted to reflect an increase in provisions of $187k. This has resulted in an associated increase in goodwill for the same value.

v Impairment tests for goodwill

Goodwill is monitored by management at the segment level of the Group.

A segment-level summary of the goodwill allocation is presented below:

SEGMENT	JUN-18 $'000	JUN-17 RESTATED $'000
MPower Golf	8,273	6,302
MPower Venue	11,448	10,421
MPower Media	2,068	1,863
Total	**21,789**	**18,586**

There is no goodwill in relation to the MPower BI segment.

vi Significant estimate: key assumptions used for value-in-use 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 value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on a one year budget approved by the Board and five year projections by management. 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:

	2018 RANGE		2017 RANGE	
Revenue (% annual growth rate)	2.50%	3.80%	2.50%	3.80%
EBITDA (%)	2.50%	3.80%	2.50%	3.80%
Annual capital expenditure - in line with subsidiary depreciation				
Long term growth rate (%)	0.50%	2.50%	2.50%	2.50%
Post tax discount rate	13.00%	13.20%	13.00%	13.20%

All segments have the same key assumptions at the high end of the above range, with the exception of the Golf segment, for which the assumptions of the low end of the range have been applied to the European cash flow forecasts to reflect the macro-economic environment.

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 CGU's. This is based on the historical experience of management. No incremental revenue or cost savings are assumed in the value-in -use 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.

As at the reporting date, the Group, based on the information available, does not consider that any reasonably 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.

C) DEFERRED TAX BALANCES

i Deferred tax assets

	NOTE	JUN-18 $'000	JUN-17 $'000
The balance comprise temporary differences attributable to:			
Tax losses & offsets		1,553	844
Employee benefits		289	325
Property, plant & equipment		-	-
IPO and transaction related expenditure		491	604
Other		209	114
Total deferred tax asset		**2,542**	**1,887**
Set off against deferred tax liability	8c(ii)	**(2,542)**	**(1,887)**
Net deferred tax asset		**-**	**-**

MOVEMENTS	TAX LOSSES & OFFSETS $'000	EMPLOYEE BENEFITS $'000	PROPERTY, PLANT & EQUIPMENT $'000	IPO AND TRANSACTION RELATED EXPENDITURE $'000	OTHER $'000	TOTAL $'000
At 1 July 2016	473	250	22	11	148	904
(Charged)/Credited						
To profit or loss as deferred tax benefit/(expenses)	386	75	(22)	72	(24)	487
To profit or loss as research and development expenses	170	-	-	-	-	170
To equity	-	-	-	521	-	521
True up as prior period deferred tax	(185)	-	-	-	(10)	(195)
As at 30 June 2017	**844**	**325**	**0**	**604**	**114**	**1,887**

MOVEMENTS	TAX LOSSES & OFFSETS $'000	EMPLOYEE BENEFITS $'000	PROPERTY, PLANT & EQUIPMENT $'000	IPO AND TRANSACTION RELATED EXPENDITURE $'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)	392	(36)	-	(166)	95	285
To profit or loss as research and development expenses	333	-	-	-	-	333
To equity	-	-	-	37	-	37
True up as prior period deferred tax	(16)	-	-	16	-	-
As at 30 June 2018	**1,553**	**289**	**0**	**491**	**209**	**2,542**

ii Deferred tax liabilities

	NOTE	JUN-18 $'000	JUN-17 $'000
Intangible assets		4,212	4,657
Financial assets		569	663
Property, plant & equipment		63	86
Other		3	3
Total deferred tax liability		**4,847**	**5,409**
Set off from deferred tax asset	8c(i)	**(2,542)**	**(1,887)**
Net deferred tax liability		**2,305**	**3,522**

MOVEMENTS	INTANGIBLES $'000	FINANCIAL ASSETS $'000	PROPERY, PLANT & EQUIPMENT $'000	OTHER $'000	TOTAL $'000
At 1 July 2016	2,772	670	-	1	3,443
(Charged)/Credited					
To profit or loss	(1,096)	(7)	74	2	(1,027)
True up as prior period deferred tax	-	-	(1)	-	(1)
Acquistion	2,981	-	13	-	2,994
As at 30 June 2017	**4,657**	**663**	**86**	**3**	**5,409**

MOVEMENTS	INTANGIBLES $'000	FINANCIAL ASSETS $'000	PROPERY, 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**

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 18	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Annual leave obligations	801	-	801
Long-service leave	267	125	392
	1,068	**125**	**1,193**

30 JUN 17	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Annual leave obligations	1,052		1,052
Long-service leave	172	248	420
	1,224	**248**	**1,472**

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 7c*) and the long service leave obligation is included within the provisions liability (*Note 8e*).

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

	NOTE	JUN-18 $'000	JUN-17 $'000
Current			
Annual leave	8(d)	801	1,052
Long service leave	8(d)	267	172
Earnout Provision	3(c)	3,031	4,072
		4,099	**5,296**
Non-Current			
Long service leave	8(d)	125	248
Earnout Provision	3(c)	180	1,150
		305	**1,398**

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

	JUN-18 $'000	JUN-17 $'000
Securities held in Zuuse Limited	1,881	2,212

During the financial year, Zuuse Pty Ltd completed a merger with Progressclaim.com Limited (Progressclaim), and became the merged entity Zuuse Limited. The merger was completed under the terms of a Scrip for Scrip deed executed on 18 September 2017.

As at 30 June 2017, the Company had a 30% interest in Zuuse Pty Ltd, and as a result of the merger, the Company's relative interest was consolidated to 11.7% (9,776,056 shares) in the new merged entity (Zuuse Limited).

During the financial year, the Company sold 1,472,346 shares of its shareholding in Zuuse Limited at a price of $0.65 per share. Cash proceeds of $957k was received, and a net gain on sale of $627k was included in other income for the period.

At reporting date, the asset continues to remain as held for sale, based on the following information:

- MSL does not have direct or indirect control over Zuuse Limited; and
- The Board having determined that Zuuse Limited was a "non-core" investment and has commenced a sell down program.

In the month of July 2018, the Company sold a further 65,000 shares of its shareholding in Zuuse Limited, and received $39k of cash proceeds.

9. EQUITY

A) SHARE CAPITAL

	JUN-18 SHARES	JUN-18 $'000	JUN-17 SHARES	JUN-17 $'000
Share capital				
Fully paid	249,248,965	60,988	249,248,965	61,085
	249,248,965	**60,988**	**249,248,965**	**61,085**

As part of the acquisition of Pricap Services Pty Ltd and based on the Company's share price as at 30 June 2018 ($0.195 per share), a further 564,103 shares are estimated to be issued on the basis of the earnout targets being met.

i Movements in ordinary shares

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$'000
1 July 2016	**Opening Balance**	**122,793,561**		**21,629**
24 July 2016	Shares issued via capital raising	967,742	0.155	150
24 July 2016	Shares issued to owners of Verteda	3,747,728	0.22	825
27 October 2016	Shares issued as part of acquistion of Golfbox	2,272,727	0.22	500
14 November 2016	Shares issued - contingent consideration of Rockit	1,367,236	0.22	301
17 March 2017	Share consolidation (1.4 for 1)	(37,471,142)		
21 March 2017	Converting Note allocation	85,000,000	0.25	21,250
4 May 2017	IPO Bonus allocation	10,571,113	0.25	2,643
4 May 2017	Shares issued on IPO	60,000,000	0.25	15,000
4 May 2017	Less: transaction costs arising on shares issued			(1,734)
	Deferred tax recognised directly in equity			521
30 June 2017	**Closing Balance**	**249,248,965**		**61,085**
	Less: transaction costs arising on shares issued			(97)
30 June 2018	**Closing Balance**	**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 19*.

iv Transaction costs arising on shares issued

Transaction costs arising on shares issued represent additional legal fees incurred in the year for the Company's IPO, less deferred tax asset attributable to the expense.

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.

	JUN-18 $'000	JUN-17 $'000
Share based payment reserve	103	103
Foreign currency translation reserve	2,382	235
	2,485	**338**

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 24* 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) RETAINED EARNINGS/(ACCUMULATED LOSSES)

Movement in retained earnings were as follows:

	$'000
Balance as at 1 July 2017	**(20,811)**
Total comprehensive income for the period	
Profit/(loss) for the year	88
Total comprehensive income for the period	**88**
As at 30 June 2018	**(20,723)**

10. CASH FLOW INFORMATION

A) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	JUN-18 $'000	JUN-17 $'000
Profit/(loss) after tax	**88**	**(11,020)**
Adjustments for:		
Depreciation and amortisation	4,711	4,289
Gain on reversal of earnout provision	(490)	(687)
Unrealised FX (loss)/gain	282	324
Realised FX (loss)/gain	(67)	33
Finance costs	214	779
Transaction and restructuring costs	609	1,027
Share based payment	-	3,361
Income tax benefit	(798)	(1,063)
Fair value expense	94	4,339
Change in operating assets and liabilities		
Movement in current assets		
(Increase)/ decrease in trade receivables	1,210	(3,351)
(Increase)/ decrease in prepayments	(228)	(329)
(Increase)/ decrease in bonds	(22)	(57)
(Increase)/decrease in other receivables	(1,146)	(721)
Movement in non-current assets		
(Increase)/ decrease in other receivables	(1,283)	-
Movement in current liabilities		
Increase/(decrease) in trade payables	(525)	1,019
Increase/(decrease) in other payables	(1,322)	(5,611)
Increase/(decrease) in deferred revenue	297	2,465
Increase/(decrease) in deferred tax assets	(1,217)	4,683
Net cash from operating activities	**407**	**(520)**

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.

11. 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 10 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
- 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 $357k if the proportion performed was increased, or would be decreased by $357k if the proportion performed was decreased.

12. 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 14(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 entities 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 entities 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:

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

2017	GBP $'000	DKK $'000	USD $'000
Trade payables	-	-	160
Contingent and deferred consideration	2,487	3,745	-
Net exposure	**2,487**	**3,745**	**160**

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:

	JUN-18 $'000	JUN-17 $'000
Realised FX loss	67	(33)
Unrealised FX loss	(282)	(324)

Sensitivity

As at the reporting date, the Group is primarily exposed to changes in Danish Krone due to the deferred and contingent consideration owed to the vendors of GolfBox A/S.

	IMPACT ON POST TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	JUN-18 $'000	JUN-17 $'000	JUN-18 $'000	JUN-17 $'000
KRR/$ exchange rate - increase 5%	(70)	27	(70)	27
KRR/$ exchange rate - decrease 5%	70	(30)	70	(30)

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.

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 7(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	JUN-18 $'000	JUN-17 $'000
AAA	-	-
AA	5,731	9,881
A	913	2,012
BBB	3	4
Total Cash	**6,647**	**11,897**

ii. Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

TRADE RECEIVABLES COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING	JUN-18 $'000	JUN-17 $'000
Group 1	3,607	4,986
Group 2	611	450
Total trade receivables	**4,218**	**5,436**

Group 1 – new and existing customers (more than 6 months) with no defaults in the past

Group 2 – new and existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

iii. Impaired trade receivables

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

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

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

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See *Note 24* for information about how impairment is calculated.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	JUN-18 $'000	JUN-17 $'000
At the beginning of period	114	52
Provision acquired	-	62
Doubtful debts written off	(8)	-
Provision for doubtful receivables	-	-
	106	**114**

iv. Past due but not impaired

As of 30 June 2018, trade receivables of $690k (2017 – $490k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	JUN-18 $'000	JUN-17 $'000
Up to 3 months	451	294
3 to 6 months	239	156
	690	**450**

The other classes with trade receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

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 7(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. Maturities of financial liabilities

The tables below analyses 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	LESS THAN 6 MONTHS $'000	6-12 MONTHS $'000	BETWEEN 1 AND 3 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS) / LIABILITIES $'000
As at 30 June 2018							
Non-derivatives							
Trade payables	1,795	-	-	-	-	1,795	1,795
Finance lease liabilities	-	36	11	-	-	46	37
Other payables	2,482	-	-	-	-	2,482	2,482
Deferred consideration	1,041	-	-	-	-	1,041	1,041
Total	**5,318**	**36**	**11**	**-**	**-**	**5,364**	**5,355**
As at 30 June 2017							
Non-derivatives							
Trade payables	1,966	-	-	-	-	1,966	1,966
Finance lease liabilities	-	29	49	-	-	78	68
Other payables	2,351	-	-	-	-	2,351	2,351
Deferred consideration	1,348	-	988	-	-	2,336	2,336
Total	**5,665**	**29**	**1,037**	**-**	**-**	**6,731**	**6,721**

CONTRACTUAL MATURITIES OF FINANCIAL ASSETS	LESS THAN 6 MONTHS $'000	6-12 MONTHS $'000	BETWEEN 1 AND 3 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS) / LIABILITIES $'000
As at 30 June 2018							
Non-derivatives							
Trade debtors	4,218	40	-	-	-	4,258	4,258
Other receivables	-	1,327	210	1,050	-	2,587	2,307
Loan to related parties	-	-	872	-	-	872	872
Total	**4,218**	**1,367**	**1,082**	**1,050**	**-**	**7,717**	**7,437**
Non-derivatives							
Trade debtors	5,437	-	40	-	-	5,477	5,477
Other receivables	-	1,014	-	-	-	1,014	1,014
Loan to related parties	-	-	847	-	-	847	847
Total	**5,437**	**1,014**	**887**	**-**	**-**	**7,338**	**7,338**

13. 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 14(a).*

14. INTERESTS IN OTHER ENTITIES

A) SUBSIDIARIES

The Group's principal subsidiaries at 30 June 2018 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.

		EQUITY HOLDING	
NAME	COUNTRY OF INCORPORATION	30-JUN-18 %	30-JUN-17 %
Parent Entity:			
MSL Solutions Limited	Australia		
Subsidiaries of parent entity:			
Micropower Pty Ltd	Australia	100%	100%
Atra 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	United Kingdom	100%	100%
Verteda Limited	United Kingdom	100%	100%
Rebel Thinking Limited	United Kingdom	100%	100%
GolfBox A/S	Denmark	100%	100%
PriCap Services Pty Ltd	Australia	100%	0%

B) INTERESTS IN ASSOCIATES

		EQUITY HOLDING	
NAME	COUNTRY OF INCORPORATION	30-JUN-18 %	30-JUN-17 %
Unlisted			
Zuuse Pty Ltd *	Australia	9.9%	30%

* The percentage of equity held in Zuuse in the prior year was prior to the merger with Progressclaim.com Limited. From an accounting perspective, the Group is still considered to have significant influence over Zuuse despite the decrease in equity holding.

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 6*

b) Non-cash investing and financing transactions – see *Note 10(b)*)

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not have any unrecognised contingent liabilities or assets.

16. COMMITMENTS

A) NON-CANCELLABLE OPERATING LEASES

The Group 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.

	JUN-18 $'000	JUN-17 $'000
Commitments for minimum lease payments in relation to non-cancellable operation lease are as follows:		
Within one year	331	213
Later than one year but not later than five years	1,163	297
Later than five years	301	-
	1,795	**510**

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.

	JUN-18 $'000	JUN-17 $'000
Bank guarantee - MSL Solutions Limited	209	-
Bank guarantee - Golflink Partners Pty Ltd	90	90
Bank guarantee - Marketown Pty Ltd	-	10
	299	**100**

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As at the date of this report, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group or the state of affairs of the Group in future financial years.

OTHER INFORMATION

This section of the notes includes other information 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.

18. RELATED PARTY TRANSACTIONS

A) KEY MANAGEMENT PERSONNEL COMPENSATION

	JUN-18 $'000	JUN-17 $'000
Short-term employee benefits	1,606	1,552
Other long-term benefits	31	37
Superannuation	97	75
Share based payments	-	2,381
Total	**1,735**	**4,045**

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 31.

B) TRANSACTIONS WITH OTHER RELATED PARTIES - LOANS

i. Loans payable to related parties

As at 30 June 2018, the Company has a loan receivable of $872k 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.

	JUN-18 $'000	JUN-17 $'000
Loan receivable - Zuuse Limited	872	847
	872	**847**

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 and a significant shareholder. Craig Kinross was previously a director of Zuuse Limited (representing MSL as a shareholder), however Mr Kinross resigned as director of Zuuse Limited on 3 October 2017 post the merger with Progressclaim.com Limited.

John Down, Craig Kinross, Ian Daly and Richard Holzgrefe all hold shares of Zuuse Limited in their personal capacity.

C) TRANSACTIONS WITH OTHER RELATED PARTIES – SALE OF ASSET HELD FOR SALE

Ian Daly and Richard Holzgrefe purchased shares from MSL ($35k and $65k respectively) that were held for sale in their personal capacity as current shareholders of Zuuse Limited.

D) TRANSACTIONS WITH OTHER RELATED PARTIES – SERVICES PROVIDED

Prior to MSL's acquisition of GolfBox A/S, Golf Link Partners Pty Ltd had an existing reseller agreement whereby Golf Link acted as a reseller in Australia and New Zealand for GolfBox products. For the period post acquisition and through to completion of all earn-out provisions associated with the acquisition, GolfBox has continued to invoice Golf Link, and Golf Link has continued to pay GolfBox, fees arising from the reseller agreement. The fees charged by GolfBox to Golflink for the financial year ended 30 June 2018 were $41k (FY17: $52k).

19. SHARE-BASED PAYMENTS

EMPLOYEE OPTION PLAN

No options were issued or expired during the period ending 30 June 2018.

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

OPTION CLASS	INITIAL GRANT	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

20. 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:

A) PRICEWATERHOUSECOOPERS ("PwC") AUSTRALIA

i. Audit and other assurance services

	2018	2017
Audit & review of financial statements	205,000	206,000
Due diligence services	-	430,000
	205,000	**636,000**

B) NETWORK FIRMS OF PwC AUSTRALIA

i. Audit and other assurance services

	2018	2017
Audit & review of financial statements		
- PwC United Kingdom	50,750	28,000
- PwC Denmark	14,700	11,000
	65,450	**39,000**

C) NON-PwC AUDIT FIRMS

i. Audit and other assurance services

	2018	2017
Audit & review of financial statements	-	26,000
Audit & review fees capatilsed due to nexus with IPO	-	159,000
	-	**185,000**
TOTAL AUDITOR REMUNERATION	**270,450**	**860,000**

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.

21. EARNINGS PER SHARE

A) BASIC EARNINGS PER SHARE

	JUN-18	JUN-17
Basic earnings per share attributable to the ordinary equity (cents)	0.04	(9.38)

B) DILUTED EARNINGS PER SHARE

	JUN-18	JUN-17
Diluted earnings per share attributable to the ordinary equity (cents)	0.03	(9.38)

C) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	JUN-18 $'000	JUN-17 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company		
from continuing operations	88	(11,019)
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	88	(11,019)

D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	JUN-18	JUN-17
Weighted average number of ordinary shares used in calculating basic earnings per share	249,248,965	117,521,862
Adjustments for calculation of diluted earnings per share: *		
- Options	4,703,572	-
- Potential shares to be issued (Pricap contingent consideration)	564,103	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	254,516,640	117,521,862

***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.

Potential shares to be issued (Pricap contingent consideration)

As described under *Note 3(b)*, the acquisition of Pricap includes a contingent consideration of $450,000, and of this amount $110,000 will be issued in the Company's shares. Accordingly, these potential shares are considered to be potential ordinary shares. The number of shares noted above has been calculated using the Company's share price at 30 June 2018 of $0.195.

22. 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.

23. PARENT ENTITY FINANCIAL INFORMATION

A) SUMMARY FINANCIAL INFORMATION

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

	2018 $'000	2017 $'000
Current assets	9,323	14,823
Non-current assets	38,785	37,140
Total assets	**48,108**	**51,963**
Current liabilities	3,444	4,133
Non-current liabilities	-	4,120
Total liabilities	**3,444**	**8,253**
Contributed equity	60,988	61,085
Retained losses	(16,278)	(17,459)
Reserves	(46)	84
Total Equity	**44,664**	**43,710**
Profit/(loss) for the year	1,180	(9,199)
Total comprehensive income/(loss) for the year	**1,180**	**(9,199)**

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.

24. 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 2017 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 15: REVENUE FROM CONTRACTS WITH CUSTOMERS
Nature of change	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected: › IT consulting services – the application of AASB 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue; › Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under AASB 15; and › Rights of return – AASB 15 requires separate presentation on the balance sheet of the right to recover the goods from customer and the refund obligation. The Group is currently assessing the impact of implementing AASB15 on the Group's financial accounts and while areas such as system installation and professional services will be affected the Group does not expect those impacts to be material. Other impacts may be identified once the Group completes its detailed analysis. The Group will have a choice of full retrospective application, or prospective application with additional disclosures.
Mandatory application date/ date of adoption by Group	Mandatory for financial years commenting commencing on or after 1 January 2018, but available for early adoption. The Group does not intend to adopt AASB 15 before it is mandatory.

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 $510k see *Note 16*. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how will this affect the Group's profit and classification of cash flows. 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.

TITLE OF STANDARD	AASB 9: FINANCIAL INSTRUMENTS
Nature of change	The AASB has issued a new standard for the classification, measurement and derecognition of financial assets and financial liabilities, introduces an expected "expected loss' impairment model and a revised approach to micro-hedge accounting, replacing the guidance in AASB139.
Impact	Management is currently assessing the effects of applying the standard to the liabilities carried at fair value through profit or loss. These liabilities relate to contingent consideration due on acquisition payments in financial years ending 30 June 2017, 2018 and 2019. The Group is not expecting this standard to have a material impact on the Group's assessment on impairment of trade receivables.
Mandatory application date/ date of adoption by Group	The standard is applicable for reporting periods after 1 January 2018 but is available for early adoption.

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.

The Group did not have any equity accounted investments for the financial year ended 30 June 2017, however MSL Solutions Limited accounted for its investment in Zuuse Pty Ltd under the equity method in the financial year ended 30 June 2016.

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 'stand alone 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 entity'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-acquistion 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 on the basis of the expected net cash flows that will be received from the assets 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.

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 21*).

ii. Diluted earning 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 dollar, 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 38 to 90 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 entity's financial position as at 30 June 2018 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 14(a)* will be able to meet any obligation or liabilities.

Note 24(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

Craig Kinross
Managing Director and Chief Executive Officer

Dated at Brisbane this 31st day of August 2018.

pwc

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 2018 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 2018
- 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.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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 to approximately 52% 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.
- 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.

pwc

- For the work performed by the component auditors in the UK and Denmark, we determined the level of involvement required from us as Group auditors to be able to conclude that sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial report as a whole. This included active dialogue throughout the year through discussions, issuing written instructions, receiving formal interoffice reporting, as well as discussing audit findings meetings with local management.

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 year. 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.

Key audit matter	***How our audit addressed the key audit matter***
Revenue recognition *(Refer to note 3)* 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 in perpetual licences and other multiple obligation customer contracts, and the timing for 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 nature of the customer contracts and the judgement involved in accurately recognising revenue.	Our procedures included, amongst others: • Assessing the design and operating effectiveness of the relevant key controls over the recording and recognition of the 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 the 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 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.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the Group's goodwill and intangible assets *(Refer to note 8(b)) [$43.3m]* The Group recorded intangible assets of $43.3m at 30 June 2018 comprising: • Goodwill of $21.8m • Contracts and customer relationships of $16.8m • Computer software and other of $4.7m The Group is required by Australian Accounting Standards to perform an annual impairment assessment over goodwill and non-amortising intangible assets, and also any amortised intangible assets for which indicators of impairment have been identified. This impairment assessment is performed by determining the recoverable amounts of each Cash Generating Unit (CGU) using 'value in use' 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 M Power Venue, M Power Golf and M Power Media. We considered this a key audit matter due to the size of the goodwill and intangible assets balances and because significant judgement is required by the Group in estimating future cash flows, particularly with respect to determining appropriate growth and discount rates adopted in each of the models. No impairment charge was recorded by the Group in the current financial year.	Our procedures included, amongst others: • Assessing whether the division of the Group's activities in to segments/ 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 FY 19 used in the models to the Board approved budget for FY 19. • 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 FY 19 forecasts used in the models. We found that headroom remained between the carrying value of each CGU's intangible assets and the calculated value in use recoverable amount after adjusting the models for these sensitivities. • Comparing the Group's net assets ($42.9m) to its market capitalisation ($51.4m) at 30 June 2018. We found that there was headroom in the comparison.
Accounting for business combinations *(Refer to note 3)* During the year ended 30 June 2018, the Group made the following acquisitions: • Certain assets of Xcite Media Pty Limited, an Australian entity, on 9 January 2018 for total consideration of approximately $0.5m. • The shares of Pricap Services Pty Limited, an Australian entity, on 1 May 2018 for total consideration of $2.5m. We considered the acquisition accounting for the business combinations to be a key audit matter due to	Our procedures undertaken in relation to the acquisition accounting for these business combinations included, amongst others: • Assessing whether each of the transactions should be treated as an asset acquisition or business combination, in accordance with the requirements of Australian Accounting Standards. • Agreeing the initial consideration paid for each acquisition to the relevant bank statements and sale and purchase agreements. • Agreeing a sample of related transaction costs, including stamp duty and legal fees, to relevant invoices and bank statements, to assess whether

Key audit matter	*How our audit addressed the key audit matter*
the financial significance of the purchase consideration, net identifiable assets acquired and resultant goodwill arising on the acquisitions, as well as the level of judgement required by the Group in performing the Purchase Price Allocation ("PPA") calculations. The key areas of judgement exercised by the Group included: • Assessing the likelihood of earn out targets being achieved in the calculation of the deferred and contingent consideration liabilities recognised at acquisition date. • Identifying and assessing the fair value of the net identifiable assets acquired. • Determining the value of the customer contract and relationship intangible assets by performing a discounted cash flow analysis, and then assessing the appropriate useful life for amortisation purposes. • Determining the adequacy of the acquisition information disclosed in the financial report.	these costs were recognised in accordance with the requirements of Australian Accounting Standards. • Reading the relevant purchase agreements to assess whether the deferred consideration for each acquisition is contingent upon future events. • Assessing whether the calculation of the deferred consideration for each acquisition was in accordance with the relevant purchase agreements and the requirements of Australian Accounting Standards. • Testing the calculation of contingent consideration liabilities recognised at acquisition date and the measurement and disclosure of related 'earn out' criteria by assessing the likelihood of financial performance earn out targets being achieved. • Considering whether all intangible assets were recognised by the Group by evaluating the assets purchased on acquisition. • Agreeing a sample of the tangible net identifiable assets acquired to supporting information. • Assessing the discounted cash flow valuation models used by the Group for recognising customer contracts and customer relationship intangible assets acquired with a particular focus on the key assumptions therein, including forecast future financial performance, growth rates and discount rates. • Assisted by PwC valuations experts, performing sensitivity analysis on the above mentioned key assumptions, with reference to market data and industry research. • Assessing the accuracy of the resulting goodwill arising from the purchase price allocation for each acquisition. • Assessing the allocation of goodwill arising in each of the acquisitions to the relevant CGU, which are based upon the Group's operating segments. • Assessing the adequacy of the acquisition disclosures made in note 3 in light of the requirements of Australian Accounting Standards.

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 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Chairman and Managing Directors' Messages, Board of Directors, Directors' Report, Shareholder Information and Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report, including the Corporate Governance Statement.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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.

INDEPENDENT AUDITOR'S REPORT

pwc

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 16 to 31 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the remuneration report of MSL Solutions Limited for the year ended 30 June 2018 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

PricewaterhouseCoopers

Michael Crowe

Michael Crowe
Partner

Brisbane
31 August 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22 August 2018.

DISTRIBUTION OF EQUITY SECURITIES

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

RANGE	TOTAL HOLDERS	ORDINARY SHARES	%
1-1,000	11	745	0.00
1,001 - 5,000	28	98,397	0.04
5,001 - 10,000	44	375,626	0.15
10,001 - 100,000	407	18,770,876	7.53
100,001 Over	218	230,003,521	92.28
Total	**708**	**249,248,965**	**100.00**

There were 19 holders of less than a marketable parcel of ordinary shares, totaling 17,129 shares.

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 LIMITED	24,548,484	9.85
2.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	14,101,891	5.66
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,739,941	5.11
4.	HOLZGREFE HOLDINGS PTY LTD <HOLZGREFE FAMILY SUPER A/C>	10,913,566	4.38
5.	CRAIG GLEN KINROSS	10,498,271	4.21
6.	LOVAT PTY LTD <LOVAT PTYLTD SUPER FUND A/C>	8,754,131	3.51
7.	BNP PARIBAS NOMS PTY LTD <DRP>	7,925,000	3.18
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,278,982	2.92
9.	RUPERT DALY	6,206,044	2.49
10.	JAMBET DOWNS PTY LTD <KJD SUPERANNUATION FUND A/C>	6,153,554	2.47
11.	WALLIS-MANCE PTY LIMITED <WALLIS-MANCE FAMILY A/C>	5,821,696	2.34
12.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	5,093,750	2.04
13.	INVIA CUSTODIAN PTY LIMITED <THE MORRIS FAMILY A/C>	5,000,000	2.01
14.	ONE MANAGED INVESTMENT FUNDS LIMITED <LAKEHOUSE SMALL COMPANIES A/C>	3,600,000	1.44
15.	GLG HOLDINGS PTY LTD <GLG SUPERANNUATION FUND A/C>	3,428,571	1.38
16.	NATIONAL NOMINEES LIMITED	2,946,776	1.18
17.	BROOKFIELD SUPERANNUATION PTY LTD <BROOKFIELD SUPER FUND A/C>	2,821,429	1.13
18.	BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD>	2,051,282	0.82
19.	GOANNA SUPER PTY LTD <THE GOANNA FUND A/C>	1,857,143	0.75
20.	VP INVESTMENTS PTY LTD <VINCE GAUCI FAMILY A/C>	1,857,143	0.75
		143,597,654	**57.61**

RESTRICTED EQUITY SECURITIES

39,561,965 ordinary fully paid shares, are subject to voluntary escrow and will be released upon finalisation of the Company's financial results for the year ended 30 June 2018.

UNQUOTED EQUITY SECURITIES

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

SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	NAME	ORDINARY SHARES	%
1	FORAGER FUNS MANAGEMENT PTY LTD	24,726,794	9.92%
2	ELLERSTON CAPITAL LIMITED	18,173,343	7.29%
3	DR RICHARD HOLZGREFE	12,871,917	5.16%

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.

Options: 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

COMPANY'S REGISTERED ADDRESS

MSL SOLUTIONS LTD
ACN 120 815 778

Level 1, 307 Queen Street
Brisbane, QLD 4000

MSL INFORMATION LINE

1800 679 701 (Within Australia)
+61 7 3512 3510 (Outside Australia)
http://www.mpowermsl.com

DIRECTORS

Kenneth John Down
Craig Kinross
Ian Daly
Kaylene Gaffney
Dr Richard Holzgrefe
David Trude

COMPANY SECRETARY

Andrew Ritter

LEGAL ADVISOR

McCullough Robertson

ABN 42 721 345 951

Level 11, Central Plaza Two
66 Eagle Street
Brisbane, QLD 4000

AUDITOR

Pricewaterhouse Coopers

ABN 52 780 433 575

480 Queen Street
Brisbane, QLD 4000
GPO Box 150 Brisbane, Australia

T: +61 7 3257 5000
F: +61 7 3257 5999

SHARE REGISTRY

Computershare

GPO Box 2975, Melbourne Vic 3001

T: 1300 552 270
F: +61 3 9473 2500
https://www-au.computershare.com/Investor

M-POWER MSL

MSL Solutions Limited ACN 120 815 778