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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

February 26, 2019

1H FY19 Half Year Results:
SPACETALK DELIVERS RECORD PERFORMANCE

MGM Wireless Limited (the "Company"; ASX: MWR) today reports its half year results for the period ending 31 December 2018 ("1HFY19").

Key Highlights

- **Record Revenue $4.07m, up 158% ***
  - Revenue from SPACETALK sales up 1,887% from $128K to $2.4m
  - Recurring revenue from SPACETALK monthly app subscriptions up 3,631% to $98K
  - 1HFY19 Revenues have exceeded the full year FY18 result of $2.74m
- **Record Gross Profit of $2.95m, up 100%** *
  - Gross Profit Margin 72%
- **Operating expenditures $2.4m, up 185% ***
  - Primarily due to SPACETALK launch advertising investment, related increases in headcount and provisions required for product warranties
- **Underlying EBITDA $550K**
- After-tax Net Loss of $3.27m due to Non-cash expense of Options issued of $3.35m
- Cash of $2.4m and debt of $500k at 31 December 2018
- Over 6,200 monthly App subscribers as at Dec 31, with a further 3,100 added in January 2019.
- Monthly Recurring Revenue Run Rate $46K/month

** Figures stated as compared to 1HFY18, the previous corresponding period ("**pcp**")*

Key results 2019 first half: Six months ended 31 December 2018 *$ million unless otherwise specified*	2018	2017	Change
Revenue	4.07	1.58	158%
Gross profit	2.95	1.47	100%
Underlying EBITDA *(excl. Option issue costs)*	0.55	0.61	(11%)
Net Profit / (Loss)	(3.27)	0.02	(21,902%)
EBITDA margin	(69%)	32%	(322%)
Net Cash from operating activities	0.05	0.95	(95%)
Cash Balances	2.4	1.41	70%
Earnings per share (diluted) cents	(26.1)	0.16	(18,500%)
Contracted Schools & Early Learning Centres	1,345	1,076	20%

CEO Update

Commenting on the results, MGM Wireless chief executive Mr Mark Fortunatow said:

"The December half was a record for the Company, the first containing the all-important Christmas retail selling season and we are delighted with the result. We are equally delighted that so many Australian and New Zealand children found a SPACETALK under the Christmas tree in 2018.

This amazing half year result is thanks to the hard work of our developers, marketing teams, the co-operation of our suppliers and retailers and our customers who continue to be our best spokespeople. Thank you all for your contribution.

Our Company has transformed over the last 12 months, our investments made in marketing and distribution leading up to Christmas were very well received, as demonstrated by strong pull-through in store sales, and some stores selling out earlier than could be expected but too late to be restocked. Further, as demonstrated by sales in January, those investments continue to deliver returns.

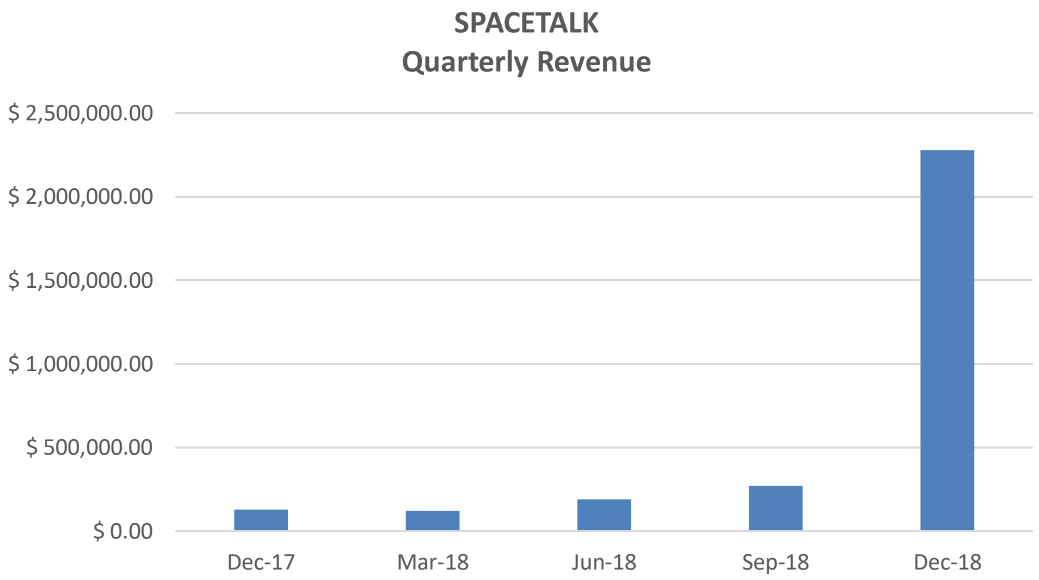
Before the end of this financial year we will be launching SPACETALK into the UK market, which is 4 times larger than our market in Australia and New Zealand. Our plans are advanced, and stock has been ordered. We look forward to announcing our distribution partners as soon as documents are finalised.

Over the last 12 months through big investments in people, technology, manufacturing, distribution and importantly the SPACETALK brand itself, we have transformed the Company. We are building a remarkable business in a segment which players in the adult smartwatch space find difficult to understand. We however have a strong track record and a great understanding of what parents want for their child's development, safety and security. We are a young and ambitious Company with a great market opportunity staring us in the face, and we are going for it!"

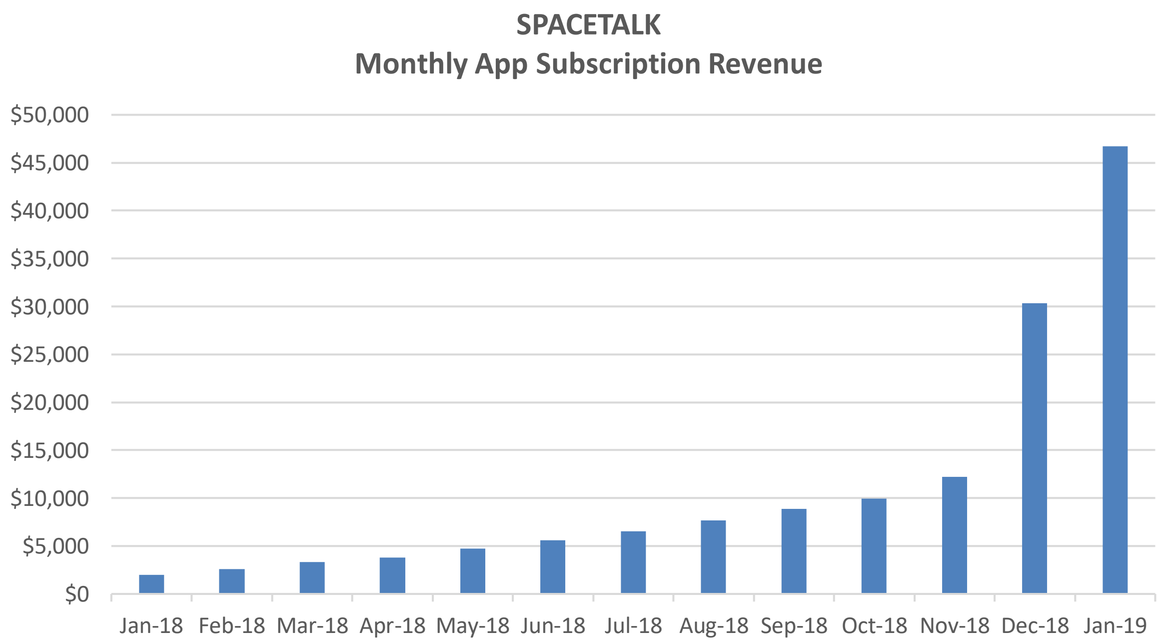
Financial Commentary

Revenue

Revenue for the period of $4.07m was up 158% compared to the PCP and larger than FY18's full year result of $2.74m. This was primarily due to the increase in SPACETALK sales of 1,887% to $2.54m. Approximately 11,000 SPACETALK watches were sold during the period compared to approximately 500 in the PCP.



Also included in revenues is recurring revenue from App subscriptions which was $98k for the period, a 3,631% improvement on the PCP. As at December 31, monthly recurring revenue had reached $30K; notwithstanding that there is a lag from when units are sold, and subscriptions are activated.



SPACETALK revenues are now, as predicted in prior announcements, outpacing revenues from the Company's traditional school communications business.

Our School communications service reported solid half year turnover of $1.4m, in line with the PCP.

Operating Expenses

Operating Expenses of $2.4m were up 185% compared to PCP. This was because of increased expenditure in marketing and distribution including advertising, headcount expansion and provisions made for product warranties. Specifically:

- Expenditure on Marketing & Advertising increased 1,670% ($737K) to $781K. We previously announced our intent to embark on a pre-Christmas marketing program that included advertising on TV, Cinema billboards, and point of sale promotions as well as an extensive online and social media campaign. Whilst this expenditure has been expensed, management views it as an investment in building awareness of the SPACETALK brand.
- Corporate Administration increased 99% ($454) to $915K. This included product warranty provision of $160K and $90K capital raising fees.
- Employee Expenses rose by 95% ($315K) to $645K.

Profitability

The Company is pleased to report a Gross Profit of $2.95m for the December half which is a 100% increase on PCP. Gross Profit Margins remain robust at 72% albeit a decrease from 92% in the PCP when most of the revenue was from sales of a communication service with very low marginal costs.

Underlying EBITDA for the period was $550K. This is a decrease of 11% compared to the PCP because of the expensed investments in marketing and distribution described above.

During the period there were significant non-cash options expenses of $3.35m and Depreciation and Amortisation of $846k which contributed to a loss of $3.67m before tax.

Balance Sheet

The Company's balance sheet remains strong with $2.4m Cash and only $500k debt associated with a $2m convertible note program, put in place during the half. A further $500k has been drawn down since the close of the period to fund expansion into the UK in the second half of FY19.

Mobile World Congress

The Company is currently exhibiting at the Mobile World Congress 2019 in Barcelona. This event is the world's largest such conference and attended by more than 110,000 delegates representing mobile network operators, technology companies and consumer electronics distributors and retailers from across the globe. The Company has a significant stand and presence in the Wearables Pavilion, and is experiencing strong a high level of interest from Mobile Network Operators, Bricks and Mortar Retailers and Distributors globally.

Appendix 4D
MGM WIRELESS LIMITED
ABN 93 091 351 530

Half-Year Report
31 December 2018
(Previous corresponding period: 31 December 2017)

Results for announcement to the market

Financial Results	**Percentage change from corresponding period %**	**Amount change from corresponding period $**	**6 months ended 31/12/2018 $**
Revenue from ordinary activities	158%	2,494,589	4,073,739
Loss from ordinary activities after tax attributable to members	(21,902%)	(3,288,166)	(3,273,152)
Net profit for the period attributable to members	(21,902%)	(3,288,166)	(3,273,152)

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

Net Tangible Asset Backing	**31 December 2018 (cents per share)**	**31 December 2017 (cents per share)**
Net tangible asset backing per ordinary security	46.64	15.58

Other explanatory notes

N/A

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

Dividends or distributions paid to shareholders	N/A
Dividends or distributions reinvestment plan details	N/A
Joint venture and associate details	N/A
Foreign entities' accounting standards used	N/A

MGM Wireless Limited

ABN 93 091 351 530

Half-Year Report
31-Dec-18

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Half – Year Ended 31 December 2018

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CORPORATE DIRECTORY

Registered Office	Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067
Principal Office	Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067 Telephone: (08) 8104 9555 Facsimile: (08) 8431 2400
Auditor	Ian G Mc Donald FCA Telephone: 0419 620 906
Share Registry	Computershare Investor Services Pty Ltd Level 5 115 Grenfell Street Adelaide SA 5000 Telephone: 1300 556 161 Overseas Callers: 61 3 9415 4000 Facsimile: 1300 534 987
Stock Exchange	The securities of MGM Wireless Limited are listed on the Australian Securities Exchange.
ASX Code	MWR ordinary fully paid shares

Directors' Report

The Directors of MGM Wireless Limited submit herewith the financial report of MGM Wireless Limited and its subsidiaries (the Group) for the half year ended 31 December 2018. In order to comply the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company who held office during and since the end of the half-year (unless otherwise stated) are:

Name

Mr. Mark Fortunatow

Ms. Leila Henderson

Mr. Glen Butler

Operational Review

The December half was a record for the Company, and the first containing the all-important SPACETALK Christmas retail selling season. The results have been outstanding.

Our Company has transformed over the last 12 months, with investments made in marketing and distribution leading up to Christmas which were very well received, as demonstrated by strong pull-through in SPACETALK store sales. As demonstrated by sales in January, those investments continue to deliver returns.

Over the last 12 months through investments in people, technology, manufacturing, distribution and importantly the SPACETALK brand itself; we are pleased to advise that the Company has been transformed.

We are building a remarkable business in one of the fastest growing tech segments which players in the adult smartwatch space find difficult to understand. We however have a strong track record and a great understanding of what parents want for their child's development, safety and security. We are a young and ambitious Company with a great market opportunity ahead of us.

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The Company's balance sheet remains strong with $2.4m Cash and only $500k debt associated with a $2m convertible note program, put in place during the half. A further $500k has been drawn down since the close of the period to fund expansion into the UK in the second half of FY19.

Changes in the state of affairs

During the half year ended 31 December 2018 there was no significant change in the Group's state of affairs other than that referred to in the half-year financial statement or notes thereto.

Dividends

No Dividends have been declared during the half year ended 31 December 2018 (2017 half-year: $nil). No Dividends relating to the year ended 30 June 2018 were paid during the half year ended 31 December 2018 (2017 half-year: $nil).

Auditor's Independence Declaration

The auditor's independence declaration for the half-year report ended 31 December 2018 has been received and is included on page 7.

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

On behalf of the Directors

Mark Fortunatow

Executive Chairman

Rose Park, 26 February 2019

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Auditor's Independence Declaration

To the Directors of MGM Wireless Ltd

As lead auditor for the review of the financial report of MGM Wireless Limited for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
ii. any applicable code of professional conduct in relation to the review.

Ian McDonald

Ian G McDonald FCA
Chartered Accountant

Dated in Adelaide on 13 February 2019

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Independent Auditor's Review Report
To the Directors of MGM Wireless Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half year consolidated financial report of MGM Wireless Ltd (`the company'), which comprises the condensed balance sheet as at 31 December 2018, condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes to the financial statements, other selected explanatory notes and the directors' declaration.

Conclusion

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

a. giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, We have become aware of any matter that makes me believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the company, ASRE 2410 requires that We comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting the review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company on the 13 February 2019, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Ian McDonald

Ian G McDonald FCA
Chartered Accountant
Dated in Adelaide on 26 February 2019

Directors Declaration

The directors declare that:

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

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

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

On behalf of the Directors,

Mark Fortunatow
Executive Chairman
Rose Park on 26 February, 2019

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Notes	Consolidated Group Half- Year Ended 31/12/2018 $	Consolidated Group Half- Year Ended 31/12/2017 $
Revenue		4,073,739	1,579,150
Cost of sales		(1,122,261)	(102,985)
Gross Profit		2,951,478	1,476,165
Doubtful debts		-	(20,008)
Amortisation & depreciation		(846,568)	(794,692)
Consulting fees		(31,811)	-
Issue of options	4	(3,358,169)	(100,628)
Corporate and administration		(915,221)	(460,350)
Advertising and marketing		(781,439)	(44,151)
Employee costs		(645,319)	(330,258)
(Loss)/ Gain on foreign exchange		(31,596)	(8,140)
(Loss)/ profit before tax		(3,658,645)	(282,062)
Income tax benefit		385,492	297,075
Net profit for the period attributable to owners of the Company		(3,273,153)	15,013
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		17,794	8,873
Other comprehensive income for the period (net of tax)		17,794	8,873
Total comprehensive income for the period attributable to owners of the Company		(3,255,359)	23,886
Earnings per share			
Basic (cents per share)		(27.5)	0.16
Diluted (cents per share)		(26.1)	0.16

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

Consolidated statement of financial position as at 31 December 2018

	Notes	Consolidated Group As at 31/12/2018 $	Consolidated Group As at 30/06/2018 $
ASSETS			
Current Assets			
Cash and cash equivalents		2,396,708	2,649,810
Trade and other receivables		1,133,000	237,143
Inventories		1,302,263	120,133
Other current assets		619,309	825,624
Total Current Assets		5,451,280	3,832,710
Non-Current Assets			
Property, plant and equipment		191,365	174,546
Intangibles	6	2,659,375	2,548,645
Total Non-Current Assets		2,850,740	2,723,191
Total Assets		8,302,020	6,555,901
LIABILITIES			
Current Liabilities			
Trade and other payables		1,618,534	513,573
Provisions		279,763	217,582
Current Tax Liabilities		46,793	154,583
Total Current Liabilities		1,945,090	885,738
Non-Current Liabilities			
Other loans		500,000	-
Deferred Tax Liabilities		10,889	10,889
Total Non-Current Liabilities		510,889	10,889
Total Liabilities		2,455,979	896,627
Net Assets		5,846,041	5,659,274
EQUITY			
Issued capital	3	10,234,017	9,966,782
Reserves		3,928,197	735,512
Accumulated losses		(8,316,173)	(5,043,020)
Total Equity		5,846,041	5,659,274

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

Consolidated statement of changes in equity for the half-year ended 31 December 2018

Consolidated	Issued Capital $	Accumulated Losses $	Share based payment Reserve $	Foreign Currency Translation Reserve $	Total Equity $
At 1 July 2017	7,469,606	(3,913,085)	483,583	(37,119)	4,002,985
Profit attributable to members	-	15,013	-	-	15,013
Currency translation differences	-	-	-	8,873	8,873
Total comprehensive income	7,469,606	(3,898,072)	483,583	(28,246)	4,026,871
Transactions with owners					
Contributions and distributions					
Issue of shares	374,031	-	-	-	374,031
Share issue costs	(32,984)	-	-	-	(32,984)
Options / rights issued	-	-	154,188	-	154,188
Transactions with owners	341,047	-	154,188	-	495,235
At 31 December 2017	**7,810,653**	**(3,898,072)**	**637,771**	**(28,246)**	**4,522,106**
As at 1 July 2018	**9,966,782**	**(5,043,020)**	**764,521**	**(29,009)**	**5,659,274**
Profit attributable to members	-	(3,273,153)	-	-	(3,273,153)
Currency translation differences	-	-	-	17,794	17,794
Total comprehensive income	9,966,782	(8,316,173)	764,521	(11,215)	2,403,915
Transactions with owners					
Contributions and distributions					
Issue of shares	6,000	-	-	-	6,000
Options exercised	210,829	-	(108,235)	-	102,594
Options/ rights issued	50,406	-	3,283,126	-	3,333,532
Transactions with owners	267,235	-	3,174,891	-	3,442,126
At 31 December 2018	**10,234,017**	**(8,316,173)**	**3,939,412**	**(11,215)**	**5,846,041**

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

Consolidated statement of cash flows for the half-year ended 31 December 2018

	Consolidated Group Half-Year Ended	
	31/12/2018	31/12/2017
	$	$
Cash flows from operating activities		
Receipts from customers	3,585,256	1,799,527
Payments to suppliers and employees	(4,144,385)	(1,445,990)
Tax benefits	609,349	599,956
Net cash provided by operating activities	50,220	953,493
Cash flows from investing activities		
Payments for plant and equipment	(33,675)	(16,803)
Payment for research and development	(940,442)	(906,313)
Net cash (used in)/provided by investing activities	(974,117)	(923,116)
Cash flows from financing activities		
Proceeds from issue of shares	-	293,031
Share issue costs	-	(32,984)
Options issued	153,000	-
Issue of convertible note	500,000	-
Net cash (used in)/provided by financing activities	653,000	260,047
Net increase / decrease in cash held	(270,897)	290,424
Cash and cash equivalents at 1 July	2,649,810	1,109,972
Effect of exchange rate changes	17,795	8,873
Cash at the end of the year	2,396,708	1,409,269

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

Notes to the Consolidated financial statements

Significant accounting policies

1.1 Statement of compliance

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

1.2 Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 has superseded the current revenue recognition guidance AASB 18 Revenue. The standard has been adopted from 1 July 2018.

1.3 Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting period (Cont.)

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard has not had a material impact on the transactions and balances recognised in the financial statements.

AASB 9 Financial Instruments
AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model. AASB 9 was effective from 1 July 2018.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The standard has not had a material impact on the transactions and balances recognised in the financial statements

1.4 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this half year reporting period.

Reference	Title	Application
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
AASB 2017-4	Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 16	Leases	1 January 2019
AASB 2016 - 5	Amendments to Australian Accounting Standards – classification and measurement of share based payment transactions	1 January 2019

Other than the impact of the standards outlined below, these standards are not expected to have a material impact on the Group's financial position or its performance.

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

1.4 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (Cont.)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Furthermore, extensive disclosures are required by AASB 16.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

1.5 Critical accouting judgements and estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

1.5 Critical accouting judgements and estimates (Cont.)

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

The Group operates predominately in three business segments, defined by the Groups differenct product and service offerings.

The groups reportable segments under AASB 8 are therefore as follows:

- School messaging services
- Smart watches and apps
- Other

This is the basis by which management controls and reviews the operations of the Group. Segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance on the same basis. No operating segments have been aggregated in arriving at the reportable segments of the group.

The school messaging reportable segment provides school messaging services and licence fees to various schools

Smart watches and apps reportable segment supply the 'Spacetalk' smartwatches and applications through retail distribution networks and online sales.

'Other' is the aggregation of the Group's other various sundry income and expenses.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

No operations were discontinued during the current financial year.

2.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit / (loss)	
	Half Year Ended		Half Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
School messaging services	1,416,353	1,446,612	(3,357,730)	3,500
Smart watches and apps	2,644,368	128,127	84,577	11,513
Other	13,018	4,411	-	-
Total for Continuing Operations	4,073,739	1,579,150		
(Loss) / profit after tax (continuing operations)			(3,273,153)	15,013

Segment revenue reported above represents revenue generated from external customers by each service or product. There were no inter-segment sales in the current year (2017: nil).

2.3 Segment revenues and results

Segment assets and liabilities

	Assets		Liabilities	
	As at		As at	
	31/12/2018	30/06/2018	31/12/2018	30/06/2018
School messaging services	3,274,692	3,002,322	1,202,399	713,430
Smart watches and apps	2,193,755	131,800	1,195,898	17,725
Total segment assets/ liabilities	5,468,447	3,134,122	2,398,297	731,155
Unallocated assets/ liabilities	2,833,573	3,421,779	57,682	165,472
Consolidated Assets	8,302,020	6,555,901		
Consolidated Liabilities			2,455,979	896,627

For the purpose of monitoring segment performance and alloacating resources between segments:

- All assets are allocated to reportable segments other than cash and R&D incentives.
- All liabilities are allocated to reportable segments other than deferred tax liabilities and current tax liabilities.

2.4 Geographical Information

The Group operates in two principal geographical areas, Australia and New Zealand.

The Group's revenue from continuing operations from external customers by location of operations are detailed below.

Revenue by geography	Year Ended 31/12/2018	Year Ended 31/12/2017
Australia	4,071,123	1,569,787
New Zealand	2,616	9,363
Total	4,073,739	1,579,150

All revenues in New Zealand result from the Group's preferred supplier status (1 of 3 companies) to New Zealand Government's Early Notification initiative whereby the Government funded the first year's license fees for all eligible schools.

3. Issues of equity securities

During the half-year the following fully paid ordinary shares were issued:

	Number of fully paid ordinary shares	Issued Capital $
Balance at 30 June 2018	11,847,500	9,966,782
Options exercised	130,000	210,829
Shares issued to contractors	82,000	-
Employee retention rights issue on 3 December 2018	20,000	46,900
Employee retention rights issue on 11 December 2018	20,000	9,506
	12,099,500	10,234,017

During the half-year, the company issued 130,000 ordinary shares under the share option plan (2017: nil). 40,000 shares were issued under the employee retention plan (2017: nil). 82,000 shares were issued to contractors as consideration for services provided (2017: nil).

4. Share based payment

There were a number of options and employee rights granted during the half-year, the valuation model inputs used to determine the fair value as at grant date were as follows:

Options:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	option life	Dividend yield	Risk free interest rate	Fair value at grant date	Number of options	Vesting date
03-10-18	16-11-20	$3.29	$ 4.00	6.70%	2.12 Years	0.00%	2.03%	$1.99	250,000	Vest at date of grant
03-10-18	16-11-20	$3.29	$ 4.00	6.70%	2.12 Years	0.00%	2.03%	$1.99	300,000	Vest at date of grant
16-11-18	30-04-22	$4.93	$ 6.00	5.47%	3.45 Years	0.00%	2.03%	$4.29	210,000	Vest at date of grant
16-11-18	30-04-22	$4.93	$ 8.00	5.47%	3.45 Years	0.00%	2.03%	$4.19	150,000	Vest at date of grant
16-11-18	30-04-22	$4.93	$ 10.00	5.47%	3.45 Years	0.00%	2.03%	$4.11	150,000	Vest at date of grant

The above relate to option expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve. (2017: $95,463).

Employee rights:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	option life	Dividend yield	Risk free interest rate	Fair value at grant date	Number of options	Vesting date
09-10-18	01-07-20	$3.13	$0.00	5.97%	1.73 Years	0.00%	2.03%	$3.00	1,500	01-07-20
09-10-18	01-07-20	$3.00	$0.00	5.97%	1.73 Years	0.00%	2.03%	$3.00	5,000	01-07-20
09-10-18	26-01-19	$3.13	$0.00	5.97%	0.3 Years	0.00%	2.03%	$3.00	5,000	26-01-19
09-10-18	01-07-20	$3.30	$0.00	5.97%	1.73 Years	0.00%	2.03%	$3.00	1,500	01-07-20
09-10-18	01-07-20	$3.35	$0.00	5.97%	1.73 Years	0.00%	2.03%	$3.00	5,000	01-07-20
09-10-18	01-07-20	$3.29	$0.00	5.97%	1.73 Years	0.00%	2.03%	$3.00	5,000	01-07-20

The above relate to employee remuneration expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve. (2017: 40,000 employee rights were granted).

5. Dividends

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

	Half-year ended 31 December 2018		Half-year ended 31 December 2017	
	Cents Per Share	Total $	Cents Per Share	Total $
Fully paid ordinary shares				
Final dividend	-	-	-	-

There were no dividends reinvested in 2018 (2017: $nil).

6. Intangible Assets

Cost	Distribution Rights $	Capitalised Development Costs $	Total $
Balance at 30 June 2017	441,017	7,535,178	**7,976,195**
Additions from internal developments	-	1,683,587	**1,683,587**
Balance at 30 June 2018	441,017	9,218,765	**9,659,782**
Additions from internal developments	-	940,442	**940,442**
Balance at 31 December 2018	441,017	10,159,207	**10,600,224**
Accumulated amortisation and impairment			
Balance at 30 June 2017	(176,407)	(5,152,502)	**(5,328,909)**
Amortisation	(44,100)	(1,738,128)	(1,782,228)
Balance at 30 June 2018	(220,507)	(6,890,630)	**(7,111,137)**
Amortisation	(22,050)	(807,662)	**(829,712)**
Balance at 31 December 2018	(242,557)	(7,698,292)	(7,940,849)
Carrying Value 31 December 2018	**198,460**	**2,460,915**	**2,659,375**

7. Fair value measurement of financial instruments

There are no financial instruments recognised at their fair value.

8. Events after reporting date

There has not arisen in the interval between 31 December 2018 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of MGM Wireless, to affect significantly the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group, in future periods.

9. Commitments

There have been no changes to commitments since 30 June 2018.