2019 Annual Report

MGM Wireless Ltd.

MGM Wireless Ltd.
ASX:MWR ABN 93 091 351 530
The Parks, Suite 13
ROSE PARK SA 5067
AUSTRALIA
Phone: (08) 8104 9555
Facsimile: (08) 8431 2400
www.mgmwireless.com

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

2019 ANNUAL REPORT

September 30, 2019

The Company is pleased to release its Annual Report for the 2019 Financial Year.

Justin Nelson
Company Secretary

About MGM Wireless Ltd

MGM Wireless Limited is a technology company designing, developing and commercialising a smartphone watch wearables device for children, and software for school communication and student absence management. The Company's AllMyTribe division has developed a children's all-in-one smartphone, watch and GPS device called SPACETALK, which allows two-way 3G phone calls and SMS messaging to a parent-controlled list of contacts. Other features include GPS tracking to alert parents whenever children leave designated safe spaces, such as school or the home.

Importantly – a key safety feature of SPACETALK is that it doesn't give children access to social media, apps, open internet, YouTube or other such services dangerous to young children. In addition, during school hours, the device can operate in 'School Mode' whereby all communication features are disabled to ensure children won't be distracted.

MGM Wireless built its track record as 'The School Engagement Expert' s after discovering in 2002 the application of SMS communication in schools. The Company went on to create the world's first SMS based Automated Student Absence Notification Solution and many other innovations since then. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communication.

MGM Wireless school communication products include student absence notifications 'messageyou', absence analytics software 'Watchlists', school news and messaging app 'School Star', a content management and messaging platform for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

Used by over 1,400 schools and 1.7 million parents, the Company's school communication solutions empower schools to effectively communicate and engage parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increase parent engagement.

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Chairman's Report

Dear shareholders,

In FY19 sales of our SPACETALK children's all in one smartphone, watch and GPS device gained strong momentum. SPACETALK revenues were $4.6 million in FY19, an increase of 933% from $0.44 million in the previous year. This validated the company's investment in this exciting growth opportunity as the first full year of wearable sales have already exceeded revenue of $2.2 million from our established schools' communication business.

Our business

MGM Wireless was founded in 2002, when we discovered the use of SMS as a breakthrough and effective new way for schools to communicate to parents, in particular about their child's absence from school We then went on to create the world's first SMS-based automated student absence notification solution and many other important innovations since then. We are recognised as a global leader and pioneer in socially responsible and technology enabled school communication. Our solutions are used today by over 1,400 schools and 1.7 million parents.

Our strong track record and understanding of what parents want for their child's development, safety and security were instrumental in our decision to start developing the SPACETALK children's watch in 2013, four years before its public launch in October 2017.

SPACETALK and the accompanying AllMyTribe app are exceptionally user-friendly. SPACETALK allows two-way 3G phone calls and SMS messaging to a parent -controlled list of contacts as well as many other features. What it leaves out is just as important, such as no access to social media, no access to the open internet, no YouTube, no games and no camera, all of which are dangerous for young children.

SPACETALK has best practice data encryption, security and privacy and, having been built to meet all Australian Privacy Legislation and Europe's strict GDPR privacy and data compliance laws, is arguably the most secure children's watch in the world.

New, fast growth market

We are creating a new mobile phone product category in the children's wearables market. Leading industry analyst Gartner predicts that worldwide sales of wearables devices will increase 26% in 2019, with spending expected to reach US$42 billion including US$16.2 billion on smartwatches. With 30% of all smartwatch sales expected to be for children aged 5 to 13, sales of SPACETALK to date support our belief that we are witnessing the start of a new category for young children.

Financial overview

Our business delivered outstanding sales in FY19. Total revenue was $7.1 million, up 161% compared to $2.7 million in the previous year. Sales of SPACETALK increased to 18,270 units, a phenomenal increase of 1,023% from 1785 units for the nine months of sales in the previous year.

We secured a $2 million convertible note facility to fund orders for SPACETALK watches, which at 30 June 2019 was drawn to $1.25 million. Cost of sales increased to $1.9 million for FY19 from $0.3 million in the previous year.

Our business model is to start selling SPACETALK with online sales, validating the market for bricks and mortar retail rollout. Advertising and marketing support sales and we drive further momentum through agreements with mobile telecommunications companies.

This model is quickly replicable in new markets and in FY19, our advertising and marketing spend was $2 million and employee costs were $1.5 million. With a long-term, mass-market opportunity ahead, we maintain very careful control of costs and completed the year with a cash balance of $1.6 million.

Despite fast expansion, MGM Wireless reported a very modest EBITDA loss of $270,000 for FY19. The company reported a net loss after tax of $4.7 million due to amortising prior year investments and non-cash option and share issue expenses of $3.4 million.

Strengthening distribution

We now sell SPACETALK in Australia, New Zealand and the United Kingdom. After the successful launch of SPACETALK with Australia's largest home and entertainment retailer JB Hi-Fi, we signed a further agreement with Leading Edge Computers in Australia and a master supply agreement with New Zealand's largest telecommunications provider SPARK.

After balance date, we secured agreements to sell SPACETALK in New Zealand with Noel Leeming, Harvey Norman and JB Hi-Fi retail stores, and in Australia with leading supplier of office products, Officeworks, increasing the number of retail outlets selling SPACETALK to a total of 672 stores.

Watershed UK agreement

The UK represents an exciting growth opportunity as its population of 66 million is three times Australia's, and we have already secured our first UK retail agreement. In August 2019, Europe's leading media, entertainment and telecommunications company Sky began selling SPACETALK through Sky Mobile on a £10 per month plan.

Sky UK is a leader in customer-led entertainment and communications with a customer base of more than 12.7 million people. We have trained more than 350 Sky sales employees to help them support targeted promotions and have already experienced much faster growth than in Australia and New Zealand at the same time after launch. Sky has committed to market SPACETALK to its entire subscriber base and we anticipate strong sales.

Capital raising

In September 2019, the company completed a successful placement of shares to Australian investors raising $5.5 million before costs. We are grateful for the investment by new and existing institutional and sophisticated investors which will support future growth initiatives, particularly our UK expansion.

Thank you

We are an ambitious and dynamic company with market leading products that are children- and family-friendly. Our rapid growth would not have been possible without the hard work and dedication of our staff who have help to drive the extraordinary transformation of our company. I would like to thank them for their effort and inspiration.

I would also like to thank our shareholders for their investment and support as we prepare to seize the opportunities ahead of us.

Looking ahead

The company has a powerful growth trajectory and a strong balance sheet. We have experienced strong interest at international trade shows and expect to conclude further bricks and mortar agreements during the financial year.

Significant resources have been focused on the UK where we have a great opportunity. Although forecasting is difficult due to the size of Sky's large customer base and could be subject to significant variability, we anticipate a four-fold increase in sales of SPACETALK units. Initial stock placed in the UK has sold out and we have ordered further stock. Orders have already been placed with suppliers to meet potential demand of approximately 90,000 units in FY20, and we anticipate ongoing growth.

Mark Fortunatow

Chairman

Our Products

MGM Wireless is constantly improving its product range by extending the capabilities of existing products and regularly launching new products.

Our key products are:

SPACETALK

In 2013, MGM Wireless began developing wearable mobile phones for children and in 2017 the company's AllMyTribe® division launched its first product - a children's all-in-one smartphone, watch and GPS device called SPACETALK. The device allows two-way 3G phone calls and SMS messaging to a parent-controlled list of contacts. Other features include GPS tracking to alert parents whenever children leave designated safe spaces, such as school or the home.

SPACETALK is regarded as the market leader in the new and emerging product category of children's smartwatch + mobile phones. SPACETALK is an all-in-one children's smartwatch, mobile phone and GPS device. Specifically designed for children between the ages of 5 - 12, SPACETALK allows parents to be in constant contact with their children without exposing them to the dangers of social media, apps and unrestricted Internet access. It's considered to be a safe and responsible, parent controlled mobile phone perfect for young children before they get their first smart phone.

Developed in Australia, and one of the first mobile devices of its type worldwide, the child can make or receive calls from a list of contacts parents choose in the AllMyTribe® smartphone app. If the child needs help, a special SOS alert function can be customised to call parents and other guardians. Parents can see their child's location on their smartphone and the AllMyTribe® App features alerts so whenever children leave designated safe spaces such as school or home, parents are notified. A step counter tracks the wearer's physical activity.

SPACETALK has been independently verified by leading international cyber security experts as using best in class, world's best practice security and privacy features. It also meets European GDPR Data Privacy regulations. All data is hosted in Australia or the UK in highly secure data centres and protected by European GDPR Privacy and Data Security regulations. To learn more please visit: www.spacetalkwatch.com

messageyou

Our flagship student absence notification product, messageyou combines an established best practice student attendance management approach to SMS with automation to enhance school business processes. messageyou™ integrates directly with all existing student management systems.

MGM WatchLists

MGM Watchlists™ automates the analysis of parent reply messages, message traffic and the status of attendance data to detect emerging patterns or trends and automatically alert school leaders responsibile for follow-up action.

MGM OutReach

Outreach™ is a specialised web-based SMS social communication solution for schools that makes it easy for school leaders to manage all communication and engage people using one intuitive system. School leaders can ensure everyone will receive their communication with In-App messaging, email, SMS and text to landline ensuring 100% contact with the community.

MGM RollMarker

RollMarker allows staff to easily and secutrely mark attendance from anywhere using any internet enabled device.

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 McDonald 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

Director's Report

The directors of MGM Wireless Ltd present their annual report of the Company and its controlled entities for the financial year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

Directors were in office for the entire year unless otherwise stated.

MARK FORTUNATOW

LEILA HENDERSON

GLEN BUTLER

Information On Directors

MARK FORTUNATOW B.Sc.(Ma.Sc.) B.Ec.

EXECUTIVE CHAIRMAN

Executive Chairman Mark Fortunatow, co-founder and chief executive of the Company's subsidiary MGM Wireless Holdings Pty Ltd, brings more than 27 years of senior executive management experience in marketing, engineering, information systems, finance and customer support.

Mr Fortunatow previously founded three successful technology-based enterprises, Linx Computer Systems (developer and marketer of financial software), Timekeeping Australia (a leader in the Australian workforce management market) and Netline Technologies (a company designing, engineering, selling and distributing voice based mobile wireless solutions), accumulating substantial practical experience in the many disciplines required to successfully launch and sustainably grow a successful technology enterprise.

He holds a degree of Bachelor of Science (Ma.Sc.) and Bachelor of Economics from Adelaide University.

Mr Fortunatow has been a director since 3 October 2003 and has held no other directorships in listed companies in the last 3 years.

LEILA HENDERSON

NON-EXECUTIVE DIRECTOR

A journalist and technology PR & Marketing specialist, Ms Henderson founded media technology business NewsMaker in 2004, building it to a subscription base of over 16,000 marketing professionals. She is also Co-founder and Director of software start-up Ofreddi Pty Ltd (t/a Konfotto); a Director of Insurance and Membership Services (IMS) Limited, t/a COTA Insurance; a Director of SA Government agency Green Industries SA; and a Director of Women in Innovation SA.

Ms Henderson is the inaugural Fellow of the New Venture Institute at Flinders University; an Ambassador of the Impact Awards – South Australia; and an investor in the SouthStart Accelerate incubator. In 2014 she was awarded the Information Technology Prize from Women in innovation SA.

Her journalism career spanned three continents, culminating in a seven-year stint as an IT and business journalist with News Limited. She has worked in editorial management roles for major publishers such as IPC in London, Toronto Star Group in Canada; and Fairfax Magazines, Australian Consolidated Press and Reader's Digest Group in Australia.

As a Public Relations practitioner with significant international experience, she has worked in Australia, North America and the United Kingdom, including as PR advisor to IBM and the South Australian Government.

Ms Henderson has been a director since 7 July 2014. She has held no other directorships with listed companies.

GLEN BUTLER

NON-EXECUTIVE DIRECTOR

Mr Butler is an experienced senior executive with a strong focus on sales, finance and manufacturing on an international level.

His previous roles include President of Pratt Industries, Inc. (Visy) in the United States, General Manager of Visy Board in Australia, COO Mariani USA and Managing Director of Mariani Europe, the largest private dried fruit company in the US.

Mr Butler has been a director since 31 August 2017. He has held no other directorships with listed companies.

COMPANY SECRETARY

JUSTIN NELSON LLB, BA (JUR), GradDip ACG

Mr Nelson has extensive experience in the listed company environment and was a former ASX SA State Manager and Manager Listings (Adelaide); roles he held until the Adelaide ASX offices were consolidated nationally in March 2012.

Mr Nelson is a corporate lawyer and expert in corporate governance , ASX Listing Rules and company meeting practice.

Directors' Interests In Shares And Options

The following table sets out each director's relevant interest in shares and options of the Company as at the date of this Report:

DIRECTOR	ORDINARY FULLY-PAID SHARES	OPTIONS – EXP 30 APRIL 2022 EXERCISE PRICE $1.40	OPTIONS – EXP 30 APRIL 2022 EXERCISE PRICE $6.00	OPTIONS – EXP 30 APRIL 2022 EXERCISE PRICE $8.00	OPTIONS – EXP 30 APRIL 2022 EXERCISE PRICE $10.00
Mark Fortunatow	1,952,873	170,000	130,000	150,000	150,000
Leila Henderson	35,000	10,000	40,000	-	-
Glen Butler	50,000	-	40,000	-	-

Remuneration of directors and key management personnel

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this directors' report on pages 25 to 31.

Corporate Information – Corporate Structure

MGM Wireless Limited is a limited liability Company that is incorporated and domiciled in Australia. MGM Wireless Limited has prepared consolidated financial statements incorporating the entities that it controlled during the financial year as follows:

ENTITY	DETAILS
MGM Wireless Limited	parent entity
MGM Wireless Holdings Pty Ltd	100% owned controlled entity
Messageyou LLC	100% owned controlled entity
MGM Wireless (NZ) Pty Ltd	100% owned controlled entity
Spacetalkwatch Pty Ltd	100% owned controlled entity
Spacetalkwatch UK Ltd	100% owned controlled entity

Nature of Operations and Principal Activities

The principal activities of MGM Wireless were:

- Design, development and sales of the SPACETALK Smartphone, watch and GPS for children aged 5-12 and the accompanying AllMyTribe app.
- Providing communication and mobile messaging solutions for Australian schools.

Operating Results

The amount of the total comprehensive loss attributable to members of the Company after income tax was $4,686,214 (2018: $1,121,825).

Review of Operations

Operating highlights

- Following JB Hi-Fi's successful online launch of SPACETALK we began supplying the group's bricks and mortar stores. SPACETALK is now available in 196 JB Hi-Fi stores across Australia, including high-profile, high traffic store locations.
- We signed a preferred supplier agreement enabling 120 Leading Edge Computers stores to stock SPACETALK across Australia.
- We added our first international mobile network operator when New Zealand's largest telecommunications provider SPARK signed a master supply agreement to sell SPACETALK in its 73 retail stores and online.

- We spent $850,000 on an Australian advertising campaign which commenced in November 2018 to support store sales, including high-profile billboard and out-of-home advertising in 71 leading shopping centres in Sydney, Melbourne and Brisbane and extensive digital and social media campaigns.

- We commenced plans to enter the high growth UK and European market in January, leading to the successful UK launch and first online UK sales of SPACETALK in May 2019.

- In February, SPACETALK attended the Mobile World Congress 2019 in Barcelona, the world's largest conference of its type, attended by more than 110,000 delegates from around the world.

- Results of a cyber security audit of children's smartwatch phones in the Australian market by Dr Matthew Sorell found SPACETALK was unique among children's smartwatches in the Australian market as it complies with all current international privacy and security legislation.

Financial Highlights

- Wearable SPACETALK revenues increased from $0.44 million to $4.6 million in the first full year of sales, reflecting our product's exceptional reliability, ease of use and high standards of data security.

- SPACETALK unit sales increased more than 1000% to 18,270 units (FY18: 1,785 units sold in nine months), with strong momentum continuing as consumer demand drives expansion in Australia, New Zealand and the UK.

- Sales in New Zealand commenced with Spark New Zealand selling SPACETALK at a recommended retail price of NZ $399. SPACETALK was also offered bundled with a SIM for under NZ$25 on a 24 month monthly plan, removing upfront cost as a potential barrier to purchase.

- Overall revenues increased 161% to $7.1 million as SPACETALK sales exceeded revenue forecasts.

- The schools business continued to deliver stable, steady profit performance with good margins and strong positive cash flow.

- We secured a $2 million convertible note facility to fund orders for SPACETALK watches from anticipated new and existing customers. At 30 June 2019, this facility was drawn to $1.25 million.

- Cost of sales increased from $0.3 million to $1.9 million as the company continued to maintain tight control of operational expenditure.

- We recorded EBITDA of ($27k) after significant targeted advertising and marketing costs of $2 million and employee costs of $1.5 million as the company increased scale to take advantage of high demand for its products.

- We reported a net loss after tax of $4.69 million which includes non-cash expenses of $3.4 million option and share issue costs and $2.0 million in amortisation and depreciation.

- Our cash balance at year end was $1.6 million.

The company is operating in an emerging, fast growth market. SPACETALK is the world leader in the children's wearable segment and its high standards of data security and privacy standards provide a competitive advantage.

We believe that SPACETALK is becoming a hot, must have mobile phone product among children aged 5 to 12 years of age and that a new children's wearable and mobile category is emerging.

Gartner, the leading research and advisory company for the technology sector, predicts global spending on wearable devices will reach US$42 billion in 2019, supporting our view that children's wearable mobile phone devices will continue to be a high growth sector during the next decade. The wearables sector is one of the highest growing consumer categories globally and smart watches are the most valuable segment, with more than 60% of market value.

In 21 months since the launch of SPACETALK, sales have exceeded all expectations. Wearable sales now provide nearly two-thirds of the Company's revenue, and this proportion is anticipated to increase following the signing of exciting new sales agreements in the UK, which has 66 million people and more than three times the addressable market of Australia.

Management maintains prudent spending as the company builds scale, taking advantage of its exciting mass market expansion opportunity.

School Business

MGM Wireless is the largest provider of messaging communication solutions to Australian schools, with over 1,400 contracted schools. Schools communication service revenue of $2.2 million was flat compared to the previous year, reflecting the stability of the business.

The company continues to upgrade its products and services, ensuring the quality of its systems, which are used by 1.6 million people across Australia daily.

The Company sees an ongoing positive future for its schools business.

Significant Changes in the State of Affairs

In October 2018, the Company secured a convertible note deed with clients of Gleneagle Securities (Aust) Pty Limited to raise up to $2 million. The facility was drawn to $1.75 million at 27 September 2019.

In September 2019, MGM Wireless raised $5.5 million before costs though a successful placement of shares to Australian investors. Settlement of the placement took place on 26 September and new shares were allotted on 27 September. 369,397 new shares were issued within the Company's current placement capacity under listing rule 7.1 and 1,248,250 new shares under listing rule 7.1A.

Events Subsequent to the End of the Financial Year

Subsequent to balance date, we announced significant expansion of SPACETALK sales in New Zealand through 118 Noel Leeming, Harvey Norman and JB Hi-Fi retail stores in July 2019.
Most importantly, sales were boosted through a landmark agreement in August 2019 with Sky, Europe's leading media, entertainment and telecommunications company, which is part of the Comcast group. Sky, which has a UK subscriber base of 23 million people, began selling SPACETALK through Sky Mobile on a £10 per month plan.

Sky has already reported strong sales prior to beginning a marketing campaign which will soon target Sky's 10 million subscribers that have children aged between five and 12. MGM Wireless receives full wholesale payment and recognises 100% of revenue when SPACETALK is sold to Sky. We have also signed a retail sales agreement with the UK's leading TV shopping retailer, QVC UK, which has a significant customer demographic of women aged between 30 and 55, SPACETALK's target customer demographic. QVC UK will exclusively promote SPACETALK on its TV channels in 30 and 45 minute shows at its own expense, which provides a great opportunity to educate the UK market about SPACETALK.

The Sky agreement is potentially the most significant distribution agreement signed to date because of Sky's brand awareness, its commitment to market SPACETALK prominently to its entire subscriber base and the attractiveness of the £10 per month offer. Forecasting group sales is difficult and could, due to Sky's large customer base, be subject to significant variability. That said, the company is targeting sales of approximately 90,000 units in FY20 e.g. four times the number sold in FY19. Initial orders have been placed with suppliers to meet this demand. Further, given the pipeline of other networks and bricks and mortar distributors already in discussion we believe growth will continue beyond FY20.

Likely Developments

As detailed above in 'Events Subsequent to the End of the Financial Year'.

Dividends

No dividends have been declared in respect of the 2019 financial year (2018: Nil).

Shares Under Option or Issued on Exercise of Options

Details of unissued shares or interests under option as at the date of this report are:

ISSUING ENTITY	Number of Shares Under Option	Class of Shares	Exercise Price of Options	Expiry Date of Options
MGM Wireless Ltd	5,000	Employee rights	$0.00	16/11/2019
MGM Wireless Ltd	18,000	Employee rights	$0.00	01/07/2020
MGM Wireless Ltd	3,000	Employee rights	$0.00	19/03/2021
MGM Wireless Ltd	6,000	Employee rights	$0.00	21/02/2019
MGM Wireless Ltd	1,500	Employee rights	$0.00	N/A - Performance target
MGM Wireless Ltd	1,500	Employee rights	$0.00	12/10/2020
MGM Wireless Ltd	1,500	Employee rights	$0.00	12/07/2021
MGM Wireless Ltd	1,500	Employee rights	$0.00	12/04/2022
MGM Wireless Ltd	250,000	Convertible note	$4.00	16/11/2020
MGM Wireless Ltd	300,000	Convertible note	$4.00	16/11/2020
MGM Wireless Ltd	240,000	Ordinary	$1.40	30/04/2020
MGM Wireless Ltd	40,000	Ordinary	$6.00	30/04/2022
MGM Wireless Ltd	40,000	Ordinary	$6.00	30/04/2022
MGM Wireless Ltd	130,000	Ordinary	$6.00	30/04/2022
MGM Wireless Ltd	150,000	Ordinary	$8.00	30/04/2022
MGM Wireless Ltd	150,000	Ordinary	$10.00	30/04/2022
	1,338,000			

The holders of these options do not have the right, by virtue of the option to participate in any share issue or interest issue of the Company or any other body corporate.

There were no ordinary shares under option with an exercise price which expired during the year. (2018: 230,000 exercisiable at $1.25).

There were 667,000 ordinary shares issued during or since the end of the financial year as a result of the exercise of options (2018: 280,000).

Meetings of Directors

The attendance of Directors at the meetings of the Company's Board of Directors held during the year is as follows:

DIRECTOR	Number of Meetings Held whilst in office	Number of meetings Attended
M Fortunatow	5	5

G Butler	5	5
L Henderson	5	5

Corporate Governance Practices

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, MGM Wireless Limited and its Controlled Entities (`the Group') have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2019 is dated as at 30 September 2019 and was approved by the Board on 30 September 2019. The Corporate Governance Statement is available on MGM Wireless Limited's website at www.mgmwireless.com/investors-centre/corporate-governance.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary Mr J Nelson, and all executive officers of the Company and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

Legal Proceedings

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 of the financial statements.

The Board of Directors is satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

1. All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
2. The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

No non-audit services have been provided by the Auditor or by another person on the Auditor's behalf during the year.

Auditor's Declaration of Independence

The Auditor's independence declaration for the year ended 30 June 2019 has been received and is included on page 36.

Remuneration Report (Audited)

This remuneration report, which forms part of the directors' report, details the nature and amount of remuneration for each Director and other key management personnel of MGM Wireless Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes executives in the parent group receiving the highest remuneration.

The remuneration policy, last voted upon by shareholders at the 2017 AGM and passed by 83.7% of votes cast, is set out below. No consultants services were used during the year.

Remuneration Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

A. Remuneration Policy

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

The executive Directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

B. Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as appropriate as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including information / evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreements with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for Company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and its operations and financial affairs, the use of a separate remuneration committee has not been considered appropriate. Remuneration is regularly compared with the external market by particpation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate. Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the information technology sector and external advice. The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay — Long Term Incentives

The objective of long term incentives is to reward Directors / executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Director's / executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to Directors / executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

C. Employment contracts of Directors and senior executives

The employment arrangements of the Directors are not formalised in a contract of employment.

D. Details of remuneration for year

Directors

The following persons were Directors of MGM Wireless Limited during the financial year:

Mark Fortunatow	Chairman (executive)
Leila Henderson	Director (non-executive)
Glen Butler	Director (non-executive)

Executives

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Directors.

E. The relationship between the remuneration policy and Company performance

	30/06/2019	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Revenue	7,142,148	2,744,102	2,626,617	2,575,684	3,157,199	2,695,473	2,381,143
Net profit/(loss) before tax	(5,644,342)	(1,765,009)	(986,127)	103,773	603,374	397,066	58,827
Net profit/(loss) after tax	(4,688,679)	(1,129,935)	(533,799)	503,674	1,041,780	717,541	657,835
	30/06/2019	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Share price at start of year	2.19	0.49	0.65	1.7	1.05	0.85	0.85
Share price at end of year	3.30	2.19	0.49	0.65	1.7	1.05	0.85
Interim dividend	-	-	-	-	-	-	-
Final dividend	-	-	-	0.01	0.01	-	0.01
Basic earnings/(loss) cents per share	(38.80)	(11.71)	(6.15)	5.84	12.16	8.49	8.49
Diluted earnings/(loss) cents per share	(36.71)	(11.71)	(6.15)	5.64	11.96	8.33	8.33

Remuneration

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

Director Remuneration 2019	Mark Fortunatow	Mark Hurd	Leila Henderson	Glen Butler
Short term - Salary & Fees	449,587	-	15,000	-
Post employment - Superannuation	40,787	-	-	-
Long Service Leave Cashouts	-	-	-	-
Benefits & Entitlements	85,123	-	-	-
Fees paid to related entities	-	-	3,080	60,061
Share-based - Options (i)	324,520	-	30,869	30,869
	-		-	
Total	900,017	-	48,949	90,930
% of remuneration share-based	36%	0%	63%	34%
2018	**Mark Fortunatow**	**Mark Hurd**	**Leila Henderson**	**Glen Butler**
Short term - Salary & Fees	417,145	3,060	21,000	-
Post employment - Superannuation	44,997	148	-	-
Long Service Leave Cashouts	76,012	-	-	-
Fees paid to related entities	-	-	10,494	43,300
Share-based - Options	68,188	-	13,638	13,638
Total	606,342	3,208	45,132	56,938
% of remuneration share-based	11%	0%	30%	24%

(i) Options were granted to key management personnel during the 2018 Annual General Meeting. The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

There were no other key management personnel of the Company at any time during the year. There were no performance related payments made during the year.

The weighted average share price during the year was $0.845 (2018: $0. 831).

The average remaining contractual life of options outstanding for each Director at the end of the financial year was 2.84 years (2018: 1.84).

During the financial year, the following share based payment arrangements were in existence:

Name	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Mark Fortunatow	16-11-18	30-04-22	$4.29	Vests at date of grant
Mark Fortunatow	16-11-18	30-04-22	$4.19	Vests at date of grant
Mark Fortunatow	16-11-18	30-04-22	$4.11	Vests at date of grant
Lelia Henderson	16-11-18	30-04-22	$4.29	Vests at date of grant
Glen Butler	16-11-18	30-04-22	$4.29	Vests at date of grant

There is no further service or performance criteria that need to be met in relation to options granted before the beneficial interest vests in the recipient. These options are not linked to the performance of the individual.

There were 300,000 options granted during the year to Directors or executives. There were no options previously granted to Directors and executives which lapsed during the year.

No loans were provided to key management personnel during the financial year.

The following table outlines the fully paid ordinary shares held by key management personnel in MGM Wireless Ltd:

Name	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
2019	No.	No.	No.	No.	No.
Mark Fortunatow	1,702,873	-	250,000	-	1,952,873
Leila Henderson	-	-	50,000	(15,000)	35,000
Glen Butler	-	-	50,000	-	50,000

Name	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
2018	No.	No.	No.	No.	No.
Mark Fortunatow	1,322,485	-	-	380,388	1,702,873
Mark Hurd	626,528	-	-	(626,528)	-
Leila Henderson	-	-	-	-	-
Glen Butler		-	-		-

The following table outlines the share options held by key management personnel in MGM Wireless Ltd:

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2019	No.	No.	No.	($)	No.	No.	No.
Mark Fortunatow	420,000	-	-	6.20	-	420,000	420,000
Mark Hurd	-	-	-	-	-	-	-
Leila Henderson	60,000	40,000	(50,000)	5.08	-	50,000	50,000
Glen Butler	50,000	-	(50,000)	6.00	-	-	-

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2018	No.	No.	No.	($)	No.	No.	No.
Mark Fortunatow	340,000	250,000	-	0.92	(170,000)	420,000	420,000
Mark Hurd	50,000	-	-	-	(50,000)	-	-
Leila Henderson	20,000	50,000	-	0.73	(10,000)	60,000	60,000
Glen Butler		50,000	-	0.60	-	50,000	50,000

End of Remuneration Report (Audited).

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors,

Mark Fortunatow
Executive Chairman
Signed at Adelaide on Monday 30th September 2019

Directors' Declaration

The Directors of the Company 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;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.1 to the financial statements;

(c) in the directors' opinion, the attached 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; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors,

Mark Fortunatow
Executive Chairman
Signed at Adelaide on Monday 30th September 2019

Independent Auditor's Report
To the Members of MGM Wireless Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MGM Wireless Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is prepared, in all material respects, in accordance with the *Corporations Act 2001*, including;

a. Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 are independent of the Group in accordance with 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 responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition Note 5	
In accordance with ASA 240 *The Auditors Responsibility in relation to Fraud in an audit of a Financial Report* we must consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition. The Group recognises revenues from providing mobile messaging solutions for business enterprises. The Group enters into multi-period contracts with customers and there is risk that revenue may be recognised prematurely (in the incorrect accounting period) as the revenue to be earned under a customer contract may be received in advance of providing services. This area is a key audit matter due to revenue being a significant risk.	Our procedures included, amongst others: • documenting the processes and assessing the design effectiveness of internal controls relating to the recognition of revenue transactions; • assessing the revenue recognition policy for each stream to ensure it is in accordance with AASB 118 *Revenues;* • performing analytical procedures to understand the movements and trends in revenue and comparing against expectations; • agreeing a sample of revenue transactions from the general ledger to source data to confirm appropriate revenue recognition had been applied; • agreeing a sample of corresponding sales contract and other supporting documentation to confirm unearned revenue had been correctly accounted for; • selecting a sample of revenue transactions near year end and agreeing to underlying source data to ensure that revenue transactions around year end was recorded in the correct period; and • assessing the adequacy of the related disclosures within the financial statements.
Inventory and existence Note	
At 30 June 2019, the Group held inventories of $1.246m. Inventory existence was an audit focus area because of the	We performed several audit procedures over inventory

various locations where inventory is held. As described in note 11 inventories are carried at cost.	existence and attended the year end distribution centre count and performed independent test counts.
Capitalisation of development costs Note 14	
During the year, the Group capitalised internal software development project costs. These projects related predominantly to the development of the *Pinpoint, Outreach+* and *Spacetalk* products. The cost mainly comprised of remuneration and direct costs. AASB 138 *Intangible Assets* specifies that development costs can only be capitalised if all criteria listed in this accounting standard can be met. Assessing whether these criteria are met requires an element of management judgement, particularly about whether the future economic benefits will be generated and the intention of the Group to complete development and use or sell the underlying asset. These judgements are dependent on expectations of future events. There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with AASB 138 *Intangible Assets*. We therefore identified the capitalisation of development costs as a significant risk. The area is a key audit matter due to the degree of management judgement involved.	Our procedures included, among others; • documenting the processes and assessing whether the internal controls relating to capitalised development costs were designed effectively; • examining a sample of invoiced costs capitalised to determine the nature of the costs and assess whether the costs meet the capitalisation criteria under AASB 138; • selecting a sample of employee costs capitalised and agreeing to source documentation to confirm the value, role and employee time allocation to the respective projects; and • assessing the adequacy of the related disclosures within the financial statements.
Intangible assets carrying value exceeds fair value	
The intangible assets of the Group are being amortised. AASB 136 *Impairment of Assets* requires the Group to perform a review of impairment triggers for all amortised intangible assets at each reporting date. The process undertaken by management to assess whether there are impairment triggers involves an element of management judgement. This area is a key audit matter due to the degree of management judgement and assumptions applied in assessing the presence of impairment of the intangible assets.	Our procedures included, amongst others; • obtaining the impairment trigger paper prepared by management and performing the following: • discussing the key aspects of the paper with management to assess consistency with AASB 136 *Impairment of Assets*; • evaluating the qualification and expertise of management's experts who assisted with the assumptions used in the management paper

	• assessing the status of significant projects against the recognition criteria of AASB 136 *Intangible Assets* through discussion with senior management and project managers; and • assessing the adequacy of the related disclosures within the financial statements.

Information Other than the Financial Report and Auditor’s Report Theron

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Director’s for the Financial Report

The Directors 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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 has 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of MGM Wireless Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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.

Ian G McDonald FCA

Grange, 30th September 2019

Ian G McDonald FCA

Auditor's Independence Declaration
To the Directors of MGM Wireless Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MGM Wireless Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a. no contravention of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contravention of any applicable code of professional conduct in relation to the audit.

Ian G McDonald FCA

Grange, 19th September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group Year Ended 30/06/2019 $	30/06/2018 $
Continuing Operations			
Revenue	5	**7,142,148**	2,744,102
Cost of sales		**(1,923,963)**	(308,072)
Doubtful debts		**(5,167)**	(37,147)
Interest costs		**(16,685)**	(11,960)
Amortisation & depreciation		**(1,985,402)**	(1,808,510)
Option and share issue costs		**(3,391,440)**	(615,449)
Corporate and administration		**(1,981,509)**	(839,808)
Advertising and marketing		**(1,969,357)**	(219,969)
Employee costs		**(1,476,786)**	(660,056)
(Loss)/ Gain on foreign exchange		**(36,181)**	(8,140)
(Loss)/Profit before tax		**(5,644,342)**	(1,765,009)
Income tax benefit	6	**955,663**	635,074
(Loss)/Profit for the year		**(4,688,679)**	(1,129,935)
Other comprehensive income/Items that may be classified subsequently to profit or loss			
Exchange differences on translating foreign operations		**2,465**	8,110
Other comprehensive income net of tax		**2,465**	8,110
Total comprehensive (loss)/income for the year		**(4,686,214)**	(1,121,825)
(Loss)/Profit attributable to:			
Owners of the Company		**(4,686,214)**	(1,121,825)
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	7	**(38.80)**	(11.71)
Diluted (cents per share)	7	**(36.71)**	(11.71)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.

Consolidated Statement of Financial Position

	Notes	Group As At 30/06/2019 $	30/06/2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,635,872	2,649,810
Trade and other receivables	10	813,863	237,143
Inventories	11	1,241,938	120,133
Other current assets	12	1,000,700	825,624
Total Current Assets		4,692,373	3,832,710
Non-Current Assets			
Property, plant and equipment	14	187,983	174,546
Intangible assets	15	2,786,541	2,548,645
Total Non-Current Assets		2,974,524	2,723,191
Total Assets		7,666,897	6,555,901
LIABILITIES			
Current Liabilities			
Trade and other payables	16	1,298,051	513,573
Provisions	17	307,349	217,582
Current Tax Liabilities	6	-	154,583
Total Current Liabilities		1,605,400	885,738
Non-Current Liabilities			
Borrowings	20	1,250,000	-
Deferred tax liabilities	6	6,499	10,889
Total Non-Current Liabilities		1,256,499	10,889
Total Liabilities		2,861,899	896,627
Net Assets		4,804,998	5,659,274
EQUITY			
Issued capital	18	10,806,726	9,966,782
Reserves	19	3,729,971	735,512
Accumulated losses		(9,731,699)	(5,043,020)
Total Equity		4,804,998	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

Consolidated	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Total Equity $
At 30 June 2017	**7,469,606**	**(3,913,085)**	**483,583**	**(37,119)**	**4,002,985**
Loss attributable to members	-	(1,129,935)	-	-	**(1,129,935)**
Currency translation differences	-	-	-	8,110	**8,110**
Total comprehensive income	-	(1,129,935)	-	8,110	(1,121,825)
Transactions with owners					
Contributions and distributions					
Shares Issued	2,436,732	-	-	-	2,436,732
Options exercised	166,348	-	(38,848)	-	127,500
Share issue costs	(146,074)	-	-	-	(146,074)
Current tax expense on share issue costs	8,034	-	-	-	8,034
Deferred tax expense on share issue costs	32,136	-	-	-	32,136
Options/ rights issued	-	-	319,786	-	319,786
Transactions with owners	2,497,176	-	280,938	-	2,778,114
At 30 June 2018	**9,966,782**	**(5,043,020)**	**764,521**	**(29,009)**	**5,659,274**
Loss attributable to members	-	(4,688,679)	-	-	(4,688,679)
Currency translation differences	-	-	-	2,465	2,465
Total comprehensive income	-	(4,688,679)	-	2,465	(4,686,214)
Transactions with owners					
Contributions and distributions					
Shares Issued	6,000	-	-	-	6,000
Options exercised	775,903	-	(335,945)	-	439,958
Options/ rights issued	50,007	-	3,327,939	-	3,377,946
Current tax expense on share issue costs	8,034	-	-	-	8,034
Transactions with owners	839,944	-	2,991,994	-	3,831,938
At 30 June 2019	**10,806,726**	**(9,731,699)**	**3,756,515**	**(26,544)**	**4,804,998**

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

Consolidated Statement of Cash Flows

	Notes	Group Year Ended 30/06/2019 $	30/06/2018 $
Cash flows from operating activities			
Receipts from customers		7,216,287	3,144,163
Payments to suppliers		(8,340,307)	(2,477,127)
Tax receipts		609,349	599,956
Interest payments		(16,685)	(11,960)
Net cash generated (used in)/from operations	9	(531,356)	1,255,032
Cash flows from investing activities			
Payments for plant and equipment		(42,581)	(26,767)
Payment for development		(2,190,466)	(1,683,587)
Net cash (used in)/from investing activities		(2,233,047)	(1,710,354)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,965,454
Costs associated with issue of shares		-	(105,904)
Proceeds from options exercised		498,000	127,500
Issue of convertible note		1,250,000	-
Net cash (used in)/from financing activities		1,748,000	1,987,050
Net increase/(decrease) in cash held		(1,016,403)	1,531,728
Cash at the beginning of the year		2,649,810	1,109,972
Effect of exchange rate changes		2,465	8,110
Cash at the end of the year	9	1,635,872	2,649,810

The above Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

Notes to the Financial Statements

1. General Information

1.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The financial statements were authorised for issue by the Directors on 27 September 2019.

MGM Wireless Limited (the Company) is a limited Company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described on page 20 of the Annual Report.

2. Application of new and revised Australian Accounting Standards

2.1 Amendments to Accounting Standards 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 its operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

AASB 9 *Financial Instruments* and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 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.

Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures that were applied to the disclosures about the financial year ended 30 June 2019 and to the comparative period.

AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurment of financial assets

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost,
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI),
- All other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset.

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income,
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has not had a significant impact on the Group's financial assets as regards their classification and measurement.

Impairment of financial assets

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 the Group 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI,
- Lease receivables,
- Trade receivables and contract assets, and
- Financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Directors have assessed whether there have been a significant increase in credit risk since the initial recognition of financial instruments that remain recognised on the date of initial application of AASB 9 (i.e. 1 July 2018) and have concluded this will not have a material impact on the financial statements.

Classification and measurement of financial liabilities

One major change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of AASB 9 has had no impact on the classification and measurement of the Group's financial liabilities.

AASB 15 *Revenue from Contracts with Customers* and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The directors have assessed the impact of the application of AASB 15 on the Group's financial statements, however, based on the Group's assessment, the Standard has no material impact on the transactions and balances recognised in the financial statements for the year ending 30 June 2019. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

The Group has adopted AASB 2016-5 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments,

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be

classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature,

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
    - The original liability is derecognised,
    - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date,
    - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments have not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interpretation 22 Foreign Currency Transactions and Advance Consideration
Interpretation 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a nonrefundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The interpretation has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.2 New and revised Australian Accounting Standards and interpretations on issue but not yet effective

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 16 *Leases*	1 January 2019

Leases

General impact of application

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements 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 for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group has chosen Modified Method B for application of AASB 16 in accordance with AASB 16:C5(b). Consequently, the Group will not restate the comparative information.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $294,133.

A preliminary assessment indicates that all of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of $267,676 and a corresponding lease liability of $267,676 in respect of all these leases. The impact on profit or loss is to decrease other expenses by $15,248 to increase depreciation by 14,088 and to increase interest expense by $1,160.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by $1,160 and to increase net cash used in financing activities by the same amount.

Finance leases
The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of MGM Wireless Limited (the Company) and entities controlled by MGM Wireless Limited (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;

and

- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of the subsidiaries are prepared for the same period as MGM Wireless Limited using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

3.3 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods, including smart watches and apps
- School messaging services and subscriptions

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

School messaging services and subscriptions

The Group provides school messaging services and app subscriptions to customers. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under AASB 15. Payment for subscriptions and school messaging services is made on a regular basis throughout the term accrued revenue is recognised over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

3.4 Foreign currency translation

Functional and presentation currency

The functional currency of each of the entities in the group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

Translation

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

3.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.6 Taxation

3.6.1 Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

3.6.2 Deferred Tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial statements purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

3.6.3 Research and development tax incentive refund

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accruals basis. The refund is recognised in income tax benefit in the profit or loss.

3.6.4 Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.7 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a reducing-balance basis over the estimated useful life of the assets as follows:

- Plant and equipment – over 5 to 10 years
- Leasehold improvements – 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.8 Intangibles

3.8.1 Intangible assets acquired separately

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with;

- finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

- The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

3.8.2 Internally generated intangible assets - research and development

Research costs are expensed when incurred. Any costs that cannot be reliably split between research and development are also expensed when incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

3.9 Impairment of tangible and Intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.10 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.10.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

No financial assets held are classified as financial assets 'at fair value through profit or loss'

(FVTPL), ‘held-to-maturity’ investments or ‘available-for-sale’ (AFS) financial assets.

3.10.1.1 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

3.10.1.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Trade receivables are impaired against the loss allowance account based on the expected credit losses in accordance with AASB 9 as described above. Expected credit losses are determined by considering the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Changes in the carrying amount of the loss allowance account are recognised in profit or loss.

3.10.1.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset‘s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.10.2 Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

There are no financial liabilities classified as ‘at FVTPL‘.

3.10.2.1 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.10.2.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

3.12 Employee benefits

Wages, salaries and annual leave

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

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Long service leave

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.13 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.14 Share-based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MGM Wireless Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date (if applicable). The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.15 Issued capital

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.

3.16 Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgments are based on historical experience and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.2 Research and development

The Group incurs significant expenditure conducting research and development activities for new and existing products developed internally. As a result of this, professional judgment is required in order to identify which of these expenditures represent research and which represent development costs.

Expenditure associated with research activities are expensed as incurred in accordance with AASB 138. An intangible asset is recognised to record expenditure arising from development activities only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Any costs that cannot be reliably split between research and development activities are expensed when incurred.

4.2 Key sources of estimation uncertainty

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

4.2.1 Recoverability of internally generated intangible asset

During the year, the Directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its technological development and distribution rights, which is included in the consolidated statement of financial position at 30 June 2019 at $2.79M (30 June 2018: $2.55M).

The carrying value of an intangible asset arising from development expenditure and distribution rights are tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Key Estimates

Impairment

The group assess impairment at each reporting date by evaluating conditions specific to the group that may to lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recognised in respect of intangible assets, as the value-in-use calculation is greater than the carrying value of the assets. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss could be recognised up to the maximum carrying value of intangibles at 30 June 2019 amounting to $2,786,541.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

A provision for doubtful debts of $76,298 (2018: $90,715) has been recognised for the year ended 30 June 2019.

Research and development tax incentive refund

The estimated amount recognised is based on detailed analysis of expenditure incurred. The actual amount to be claimed is finalised after completion of the current year's financial report and preparation of the Group's income tax return.

5. Revenue and Expenses

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 *Operating Segments* (see note 8).

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
Revenue		
The following is an analysis of the Group's revenue		
Revenue		
Schools sales	**2,190,415**	2,233,866
SI Income	**-**	54,000
SPACETALK sales	**4,637,982**	449,472
Grants received	**275,321**	-
Other SPACETALK income	**28,275**	528
Sundry income	**10,155**	6,236
Total sales revenue	**7,142,148**	2,744,102

Other SPACETALK income relates to repairs and shipping charges.

Expenses		
Rental expense relating to operating leases	176,326	89,902
Defined contribution superannuation expense	231,208	136,074
Option and share issue costs	3,391,440	615,449
Research costs	920,691	597,317

As discussed within note 2.1 the application of AASB 15 – *Revenue from Contracts with Customers* has not had a significant impact on the financial position and/or financial performance of the Group.

6. Income Tax

	Group Year Ended	
	30/06/2019	30/06/2018
Income Tax	**$**	**$**
6.1 Income tax benefit		
The income tax benefit for the year can be reconciled to the accounting profit or loss as follows:		
(Loss)/ profit for the year	**(5,644,342)**	(1,765,009)
Prima facie tax benefit at 27.5%	**(1,552,194)**	(485,377)
Non-deductible items		
Other	**944,106**	170,428
Research and development tax offset	**(351,302)**	(283,667)
Adjustments recognised in the current year in relation to the current tax of prior years	**3,830**	(7,283)
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(103)**	(29,175)
Total income tax benefit	**(955,663)**	(635,074)
6.2 Income tax expense recognised in the profit or loss		
Current tax expense	**8,034**	166,074
Research and development tax offset	**(955,104)**	(771,219)
Adjustments recognised in the current year in relation to the current tax of prior years	**3,830**	(7,283)
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(103)**	(29,175)
Deferred tax	**(12,320)**	6,529
	(955,663)	(635,074)
6.3 Income tax expense recognised through equity		
Deferred tax	**8,034**	(32,136)
	8,034	(32,136)

	Group Year Ended	
	30/06/2019	30/06/2018
	$	**$**
6.4 Current tax assets and liabilities		
Current tax liabilities		
Income tax payable	-	154,583
	-	**154,583**

6.5 Deferred tax assets and liabilities

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Deferred tax assets		
Temporary differences		
Provision for doubtful debts	4,587	9,215
Property, plant and equipment	7,224	8,123
Prepayments	72,767	60,639
Trade payables/accrued expenses	46,070	43,961
Provisions for employee entitlements	84,521	59,835
Other	66,802	32,136
	281,971	213,909
Deferred tax liabilities		
Temporary differences		
Property, plant and equipment	(460)	(3,696)
Intangible assets	(288,010)	(221,102)
	(288,470)	(224,798)
	(6,499)	**(10,889)**

6.6 Franking account

	Company Year Ended 30/06/2019 $	Company Year Ended 30/06/2018 $
Adjusted franking account balance	-	-

7. Earnings Per Share

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Basic earnings per share		
Total basic earnings per share (cents per share)	**(38.80)**	(11.71)
Diluted earnings per share		
Total diluted earnings per share (cents per share)	**(36.71)**	(11.71)
7.1 Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.		
Net (loss)/profit for the year attributable to owners of the Company	**(4,688,679)**	(1,129,935)
Earnings used in the calculation of total basic earnings per share	**(4,688,679)**	(1,129,935)
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	**12,082,711**	9,645,837
7.2 Diluted earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows.		
Net (loss)/profit for the year attributable to owners of the Company	**(4,688,679)**	(1,129,935)
Earnings used in the calculation of total diluted earnings per share	**(4,688,679)**	(1,129,935)
Weighted average number of ordinary shares for the purposes of diluted earnings per share (all measures)	**12,771,236**	9,645,837

8. Segment Revenues and Results

8.1 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 3.

No operations were discontinued during the current financial year.

8.2 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)	
	Year Ended		Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
School messaging services	**2,190,415**	2,287,866	**(4,350,488)**	(1,048,413)
Smart watches and apps	**4,637,981**	449,472	**(338,191)**	(81,522)
Other	**313,752**	6,764	**-**	-
Total for Continuing Operations	**7,142,148**	2,744,102		
(Loss) / profit after tax (continuing operations)			**(4,688,679)**	(1,129,935)

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 (2018: nil).

8.3 Segment assets and liabilities

	Assets		Liabilities	
	Year Ended		Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
School messaging services	**3,462,357**	3,002,322	**1,328,599**	713,430
Smart watches and apps	**1,612,814**	131,800	**271,641**	17,725
Total segment assets/ liabilities	**5,075,171**	3,134,122	**1,600,240**	731,155
Unallocated assets/ liabilities	**2,591,726**	3,421,779	**1,261,659**	165,472
Consolidated Assets	**7,666,897**	6,555,901		
Consolidated Liabilities			**2,861,899**	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.

8.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
School messaging services	**1,985,402**	1,808,510	**2,233,046**	1,710,354
Smart watches and apps	**-**	-	**-**	-
Depreciation and Amortisation	**1,985,402**	1,808,510		
Additions to Non-Current Assets			**2,233,046**	1,710,354

8.5 Geographical Information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue by geography Year Ended	
	30/06/2019	30/06/2018
Australia	**6,318,974**	2,724,091
Other regions	**823,174**	20,011
Total	**7,142,148**	2,744,102

Other regions comprise sales originating from 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. All revenues in the United Kingdom relate to Spacetalkwatch sales.

8.6 Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

9. Notes to the cash flow statement

9.1 cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
Cash and bank balances	1,635,872	2,649,810

9.2. Reconciliation of cash flows from operating activities

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

	Group Year Ended 30/06/2019 $	30/06/2018 $
(Loss)/profit for the year	**(4,688,679)**	(1,129,935)
Adjustments for:		
Depreciation and amortisation	**1,985,402**	1,808,510
Options issue costs	**3,261,939**	480,796
Non cash shares issued	**63,144**	310,268
Impairment losses on financial assets	**5,167**	-
Operating cash flows before movements in working capital	**626,973**	1,469,639
Movements in working capital		
Decrease/(increase) in inventory	**(1,121,805)**	(120,133)
Decrease/(increase) in trade and other receivables	**(576,720)**	125,651
(Decrease)/increase in trade payables	**784,478**	(80,332)
(Decrease)/increase in provisions	**89,767**	(25,469)
Decrease/(increase) in other current assets	**(175,076)**	96,886
(Decrease)/increase in tax liability	**(154,583)**	(156,428)
(Decrease)/increase in deferred tax liability	**(4,390)**	(54,782)
Net cash generated from operating activities	**(531,356)**	1,255,032

9.3 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Liabilities from financing activities Convertible note (note 20)	Total
Balance 30 June 2017	-	-
Cash flows	-	-
Non-Cash movements	-	-
Balance 30 June 2018	**-**	**-**
Cash flows	1,250,000	1,250,000
Non-Cash movements	-	-
Balance 30 June 2019	**1,250,000**	**1,250,000**

The cash flows from convertible notes make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

10. Trade and Other Receivables

10.1 Trade and other receivables	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Trade receivables	890,161	327,858
Loss allowance	(76,298)	(90,715)
	813,863	237,143

The average credit period on sales of goods is 46 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. As noted within Note 2.1, the Group has measured the expected credit losses based on default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has assessed the application of *AASB 9 – Financial Instruments* and concluded that there has been no significant impact on the financial position and/or financial performance of the Group.

Terms and conditions relating to the above financial instruments:

- Trade receivables are non-interest bearing and generally repayable in the range within 30-180 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

10.2 Past due but not impaired trade receivables	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Past due 0-30 days	383,268	29,448
Past due 31-60 days	39,380	3,666
Past due 61 - 90 days	206	451
Past due over 91 days	84,994	86,620
	507,848	120,185

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	Group Year Ended 30/06/2019	30/06/2018
10.3 Movement in the loss allowance	**$**	**$**
Balance at the beginning of the year	**(90,715)**	(186,973)
Amounts recovered during the year	**-**	-
Decrease/(Increase) in loss allowance attributable to new sales	**14,417**	96,257
Balance at the end of the year	**(76,298)**	(90,715)

11. Inventories

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
Finished goods	1,241,938	120,133
	1,241,938	120,133

The cost of inventories recognised as an expense during the year in respect of continuing operations was $1,923,963 (2018: 308,072). There were no write-downs of inventory to net realiseable value included within the cost of inventories recognised as an expense during the year.

12. Other Current Assets

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
R&D tax incentive	955,103	771,219
Prepayments	45,597	54,405
	1,000,700	825,624

13. Subsidiaries

Information about the composition of the Group at the end of the reporting period is as follows:

Unlisted Controlled Entity	Date of Acquisition or incorporation	Country of Incorporation	Class of Shares	Cost of Parent Entity's Investment 30/06/2019 $	Cost of Parent Entity's Investment 30/06/2018 $
MGM Wireless Holdings Pty Ltd	08/10/2003	Australia	Ordinary	767,000	767,000
Message You LLC	11/09/2006	USA	Ordinary	124,440	124,440
MGM Wireless (NZ) Pty Ltd	18/05/2010	Australia	Ordinary	80	80
Spacetalkwatch UK Ltd	25/02/2019	United Kingdom	Ordinary	1	-
Spacetalkwatch Pty Ltd	29/06/2015	Australia	Ordinary	1	-
				891,522	891,520

The equity holding in all companies is 100%. Spacetalkwatch UK Ltd was incorporated during the year.

The equity holding in all companies is 100%. These investments have been eliminated on consolidation. Spacetalkwatch UK Ltd was incorporated during the current financial year.

Further information about the composition of the Group and transactions has been disclosed within note 25.

14. Property, Plant and Equipment

	Plant and Equipment $	Leasehold Improvements $	Total $
Cost			
Balance at 30 June 2017	332,096	185,005	**517,101**
Additions	22,555	4,212	**26,767**
Balance at 30 June 2018	354,651	189,217	**543,868**
Additions	23,299	19,282	**42,581**
Balance at 30 June 2019	377,950	208,499	586,449
Accumulated depreciation and impairment			
Balance at 30 June 2017	(248,015)	(95,025)	**(343,040)**
Depreciation expense	(19,478)	(6,804)	**(26,282)**
Balance at 30 June 2018	(267,493)	(101,829)	**(369,322)**
Depreciation expense	(18,785)	(10,359)	**(29,144)**
Balance at 30 June 2019	(286,278)	(112,188)	**(398,466)**
Written Down Value 30 June 2018	87,158	87,388	**174,546**
Written Down Value 30 June 2019	91,672	96,311	**187,983**

15. Intangible Assets

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
At cost	11,850,248	9,659,782
Accumulated amortisation and impairment	(9,063,707)	(7,111,137)
Carrying Value	2,786,541	2,548,645

	Distribution Rights $	Capitalised Development Costs $	Total $
Cost			
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	-	2,190,466	2,190,466
Balance at 30 June 2019	441,017	11,409,231	11,850,248
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	(44,100)	(1,908,470)	(1,952,570)
Balance at 30 June 2019	(264,607)	(8,799,100)	(9,063,707)
Carrying Value 30 June 2019	176,410	2,610,131	2,786,541

The useful life of ‘Distribution Rights‘ is 10 years. Due to the nature of the projects developed in the current period, Capitalised cost has been amortised over a useful life of 3 years.

Distribution rights have arisen from the acquisition of territory rights from former distributors. These assets have provided the Company the right to operate in the respective territories. The income from those territories; Western Australia, South Australia, Queensland, Victoria and Tasmania is the major part of MGM Wireless‘s income.

16. Trade and Other Payables

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Trade payables	1,205,417	367,957
Indirect tax liability	26,337	80,180
Accrued SMS charges	66,297	65,436
	1,298,051	513,573

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 22 days. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. Provisions

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Current		
Employee benefits	307,349	217,582

The provision for employee benefits represents annual leave and long service leave entitlements accrued.

18. Issued capital

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
19.1 Issued and paid up capital		
Ordinary shares, fully paid	**10,806,726**	9,966,782
(30 June 2019: 12,514,500, 30 June 2018: 11,847,500)		

	Group Number of shares	Group Share capital $
19.2 Fully paid ordinary shares		
Balance as at 30 June 2017	**8,691,438**	7,469,606
Shares issued in entitlement offer on 3 October 2017	**487,230**	170,531
Shares issued to the underwriter on 9 October 2017	**350,000**	122,500
Shares issued to contractor for corporate and investor solutions	**370,000**	343,348
Share issued in placement on 23 April 2018	**750,000**	750,000
Shares issued in purchase plan on 29 May 2018	**1,049,923**	1,049,923
Shares issued to employee	**148,909**	166,778
Share issue costs	**-**	(105,904)
Balance as at 30 June 2018	**11,847,500**	9,966,782
Options exercised	**610,000**	775,903
Employee retention rights issue on 3 December 2018	**22,000**	46,900
Employee retention rights issue on 11 December 2018	**20,000**	9,506
Employee retention rights issue on 17 June 2019	**15,000**	7,635
Balance as at 30 June 2019	**12,514,500**	10,806,726

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote, either in person or by proxy, at a meeting of the Group.

18.3 Share options

	Expiry Date	Exercise Price	Number	New	Expired	Exercised	Closing
Options							
	27/08/2018	$1.10 each	30,000	-	-	(30,000)	-
	30/04/2020	$1.40 each	240,000	-	-	-	240,000
	08/12/2018	$0.75 each	80,000	-	-	(80,000)	-
	30/04/2020	$0.60 each	350,000	-	-	(350,000)	-
	28/05/2019	$1.30 each	150,000	-	-	(150,000)	-
	30/04/2022	$6 each	210,000	210,000	-	-	210,000
	30/04/2022	$8 each	150,000	150,000	-	-	150,000
	30/04/2022	$10 each	150,000	150,000	-	-	150,000
	16/11/2020	$4 each	550,000	550,000	-	-	550,000
			1,910,000	1,060,000	-	(610,000)	1,300,000
Employee rights							
	16/05/2019	$0 each	5,000	-	-	(5,000)	-
	16/11/2019	$0 each	5,000	-	-	-	5,000
	23/11/2018	$0 each	15,000	-	-	(15,000)	-
	23/05/2019	$0 each	15,000	-	-	(15,000)	-
	30/11/2018	$0 each	10,000	-	-	(10,000)	-
	04/12/2018	$0 each	10,000	-	-	(10,000)	-
	09/10/2018	$0 each	2,000	2,000	-	(2,000)	-
	26/01/2019	$0 each	5,000	5,000	(5,000)	-	-
	01/07/2020	$0 each	18,000	18,000	-	-	18,000
	19/03/2021	$0 each	3,000	3,000	-	-	3,000
	21/02/2019	$0 each	6,000	6,000	-	-	6,000
	None	$0 each	1,500	1,500	-	-	1,500
	12/10/2020	$0 each	1,500	1,500	-	-	1,500
	12/07/2021	$0 each	1,500	1,500	-	-	1,500
	12/04/2022	$0 each	1,500	1,500		-	1,500
			100,000	40,000	(5,000)	(57,000)	38,000
		Total	2,010,000	1,100,000	(5,000)	(667,000)	1,338,000

During the year, the company issued 610,000 ordinary shares under the share option plan and 57,000 under the employees right plan (2018: 170,000).

19. Reserves

	Group Year Ended 30/06/2019 $	30/06/2018 $
Option issue reserve	3,756,515	764,521
Foreign currency translation reserve	(26,544)	(29,009)
	3,729,971	735,512

	Option Issue Reserve	Foreign Currency Translation Reserve
Balance as at 30 June 2017	483,583	(37,119)
Options issued	319,786	-
Options exercised	(38,848)	-
Currency translation differences	-	8,110
Balance as at 30 June 2018	764,521	(29,009)
Options issued	3,327,939	-
Options exercised	(335,945)	-
Currency translation differences	-	2,465
Balance as at 30 June 2019	3,756,515	(26,544)

Nature and purpose of reserve

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

The foreign currency translation reserve is used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries and are recognised directly in the total comprehensive Income for the year.

20. Borrowings

	Group Year Ended 30/06/2019 $	Group Year Ended 30/06/2018 $
Non - Current		
Convertible Note	1,250,000	-

The Group's borrowings relate to convertible loan notes which were issued as follows:

Date	Issue price per note	Drawdown amount
28-06-19	55,555	250,000
28-05-19	55,555	250,000
28-02-19	55,555	250,000
30-11-18	55,555	500,000
		1,250,000

The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible into ordinary shares at the lower of $3.50 or at a 20 per cent discount to any future share issuance. The conversion price is at a per cent premium to the share price of the ordinary shares at the date the convertible loan notes were issued.

If the notes have not been converted, they will be redeemed on 3 October 2020 at par. Interest of 7 per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been wholly allocated as a financial liability.

The interest expensed for the year is calculated by applying an effective interest rate of 7 per cent to the liability component for the months period since the loan notes were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the reporting 30 June 2019 represents the effective interest rate less interest paid to that date.

21. Dividends

No dividends have been declared in respect of the 2019 financial year. (2018: Nil)

Due to the R&D tax incentives taken up by the group, dividends paid during the 2014 to 2016 financial years were unfranked. It is anticipated that as long as the Group is entitled to the R&D tax incentive future dividends will also be unfranked.

22. Capital risk management

22.1 Capital risk management

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the group can fund its operations and continue as a going concern.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the group since the prior year.

22.2 Gearing ratio

	Group Year Ended 30/06/2019	Group Year Ended 30/06/2018
The gearing ratio at end of the period was as follows.	$	$
Borrowings	1,250,000	-
Net Debt	1,250,000	-
Equity	**4,804,998**	5,659,274
Net debt to equity ratio	**26.0%**	0.0%

23. Financial instruments

23.1 Financial risk management

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group does not speculate in the trading of derivative instruments. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates.

Its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
Cash and cash equivalents (interest-bearing accounts)	1,635,872	2,649,810
Net exposure	1,635,872	2,649,810

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the table below illustrates the effect on post tax profit and equity of the change in cost relevant to the financial assets of the Group:

		Group Year Ended	
		30/06/2019	30/06/2018
Post tax profit - higher/ (lower)		$	$
	0.50%	83	60
	-0.50%	(83)	(60)
Equity – higher / (lower)			
	0.50%	83	60
	-0.50%	(83)	(60)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short- medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by;

- monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained,
- continuously monitoring forecast and actual cash flows, and
- matching the maturity profiles of financial assets and liabilities based on management's expectations.

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows within the 2018 financial period.

	Group Year Ended 30/06/2019	Group Year Ended 30/06/2018
Financial assets	$	$
Cash & cash equivalents	1,635,872	2,649,810
Trade and other receivables	813,863	237,143
	2,449,735	2,886,953
Financial liabilities		
Trade payables	1,205,417	367,957
Borrowings	1,250,000	-
Indirect tax liability	26,337	80,180
	2,481,754	448,137
Net Maturity	(32,019)	2,438,816

The maturity date for all financial assets and financial liabilities is less than 12 months in duration. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise deposits with banks and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Statement of Financial Position represents the Company's maximum exposure to credit risk in relation to those assets.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securitise it trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts. Trade and other receivables are expected to have a maturity of less than 12 months, for both year-ends.

There are no significant concentrations of credit risk within the Company.

Foreign currency risk

As a result of operations in the USA, being denominated in USD, operations in New Zealand being denominated in NZD, and Operations in the United Kingdom being denominated in GBP, the Group's balance sheet can be affected by movements in the respective AUD exchange rates. The Company does not hedge this exposure.

In the reporting period the Groups volume of transactions in USD, NZ and GBP currency was low and immaterial for the year ended 30 June 2019.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in USD, NZD and GBP, to meet current operational commitments.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Fair value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the Statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

24. Share-based payments

24.1 Employee share option plan

The Group has an ownership-based compensation plan for executives and senior employees and contractors. In accordance with the terms of the plan executives, senior employees and contractors may be granted options to purchase ordinary shares. Each share option converts into one ordinary share of MGM Wireless Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of their vesting to the date of their expiry.

The weighted average share price during the year was $0.845 (2018: $0.853)

There were 1,060,000 options were granted during the current financial year and 38,000 employee rights issued.

During the financial year, the following share based arrangements were in existence:

Name	Number	Grant Date	Expiry Date	Grant Date Fair Value	Exercise price	Vesting Date	exercised
Granted on 7 Dec 2015	240,000	07-12-15	30-04-20	$0.37	$1.40	Vest at date of grant	-
Employee right 1	5,000	16-11-19	16-11-19	$0.37	$0.00	16-11-19	-
Granted 3 October 2018	550,000	03-10-18	16-11-20	$1.99	$4.00	Vest at date of grant	-
Granted 16 November 2018	210,000	16-11-18	03-04-20	$4.29	$6.00	Vest at date of grant	-
Granted 16 November 2019	150,000	16-11-18	03-04-20	$4.19	$8.00	Vest at date of grant	-
Granted 16 November 2020	150,000	16-11-18	03-04-20	$4.11	$10.00	Vest at date of grant	-
Employee right 6	1,500	09-10-18	01-07-20	$3.00	$0.00	01-07-20	-
Employee right 7	5,000	09-10-18	01-07-20	$3.00	$0.00	01-07-20	-
Employee right 9	1,500	09-10-18	01-07-20	$3.00	$0.00	01-07-20	-
Employee right 10	5,000	09-10-18	01-07-20	$3.00	$0.00	01-07-20	-
Employee right 11	5,000	09-10-18	01-07-20	$3.00	$0.00	01-07-20	-
Employee right 12	3,000	21-11-18	19-03-21	$3.24	$0.00	19-03-21	-
Employee right 13	3,000	21-02-19	30-01-21	$3.26	$0.00	30-01-21	-
Employee right 14	3,000	21-02-19	30-01-21	$3.26	$0.00	30-01-21	-
Employee right 15	1,500	17-04-19	N/A	$3.24	$0.00	Vest at date target met	-
Employee right 15	1,500	17-04-19	12-10-20	$3.24	$0.00	12-10-20	-
Employee right 15	1,500	17-04-19	12-07-21	$3.24	$0.00	12-07-21	-
Employee right 15	1,500	17-04-19	12-04-22	$3.24	$0.00	12-04-22	-

The following table outlines the share options on issue and movements during the reporting periods presented:

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2019	No.	No.	No.	($)	No.	No.	No.
Granted on 4 September 2013	30,000	-	(30,000)	-	-	-	-
Granted on 7 Dec 2015	240,000	-	-	-	-	240,000	240,000
Granted on 8 Dec 2017	80,000	-	(80,000)	-	-	-	-
Granted on 18 Dec 2017	350,000	-	(350,000)	-	-	-	-
Granted on 29 May 2018	150,000	-	(150,000)	-	-	-	-
Employee right 1	10,000	-	(5,000)	-	-	5,000	-
Employee right 2	15,000	-	(15,000)	-	-	-	-
Employee right 3	15,000	-	(15,000)	-	-	-	-
Employee right 4	10,000	-	(10,000)	-	-	-	-
Employee right 5	10,000	-	(10,000)	-	-	-	-
Granted 3 October 2018	-	550,000	-	-	-	550,000	550,000
Granted 16 November 2018	-	210,000	-	-	-	210,000	210,000
Granted 16 November 2019	-	150,000	-	-	-	150,000	150,000
Granted 16 November 2020	-	150,000	-	-	-	150,000	150,000
Employee right 6	-	1,500	-	-	-	1,500	-
Employee right 7	-	5,000	-	-	-	5,000	-
Employee right 8	-	5,000	-	-	(5,000)	-	-
Employee right 9	-	1,500	-	-	-	1,500	-
Employee right 10	-	5,000	-	-	-	5,000	-
Employee right 11	-	5,000	-	-	-	5,000	-
Employee right 12	-	3,000	-	-	-	3,000	-
Employee right 13	-	3,000	-	-	-	3,000	-
Employee right 14	-	3,000	-	-	-	3,000	-
Employee right 15	-	6,000	-	-	-	6,000	-

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2018	No.	No.	No.	($)	No.	No.	No.
Granted on 4 September 2013	30,000	-	-	-	-	30,000	30,000
Granted on 17 Dec 2014	230,000	-	-	-	(230,000)	-	-
Granted on 7 Dec 2015	240,000	-	-	-	-	240,000	240,000
Granted on 8 Dec 2017	-	250,000	(170,000)	-	-	80,000	80,000
Granted on 18 Dec 2017	-	350,000	-	-	-	350,000	350,000
Granted on 29 May 2018	-	150,000	-	-	-	150,000	150,000
Employee right 1	-	10,000	-	-	-	10,000	-
Employee right 2	-	15,000	-	-	-	15,000	-
Employee right 3	-	15,000	-	-	-	15,000	-
Employee right 4	-	10,000	-	-	-	10,000	-
Employee right 5	-	10,000	-	-	-	10,000	-

Share options outstanding at the end of the year had a weighted average exercise price of $4.86 (2018: $0.92) The average remaining contractual life of options outstanding at the end of the financial year was 1.66 years (2018: 0.87).

24.2 Fair Value of share options granted during year

There were 1,060,000 options and 38,000 employee rights granted during the year (2018: 750,000 options and 60,000 employee rights). The weighted average fair value of the share options and employee rights granted during the financial year is $3.04 (2018: $0.45) 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	Expensed during the period
03-10-18	03-10-20	$3.29	$4.00	127.39%	2 Years	0.00%	2.06%	$1.99	250,000	Vest at date of grant	$ 496,707
03-10-18	03-10-20	$3.29	$4.00	127.39%	2 Years	0.00%	2.06%	$1.99	300,000	Vest at date of grant	$ 596,048
16-11-18	30-04-22	$4.93	$6.00	166.15%	3.45 Years	0.00%	2.06%	$4.29	210,000	Vest at date of grant	$ 900,280
16-11-18	30-04-22	$4.93	$8.00	166.15%	3.45 Years	0.00%	2.06%	$4.19	150,000	Vest at date of grant	$ 628,739
16-11-18	30-04-22	$4.93	$10.00	166.15%	3.45 Years	0.00%	2.06%	$4.11	150,000	Vest at date of grant	$ 616,674
										Total	$ 3,238,447

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 during the year.

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	Expensed during the period
09-10-18	01-07-20	$3.00	$0.00	66.8%	1.73 Years	0.00%	2.03%	$3.00	1,500	01-07-20	$ 1,882
09-10-18	01-07-20	$3.00	$0.00	66.8%	1.73 Years	0.00%	2.03%	$3.00	5,000	01-07-20	$ 6,274
09-10-18	26-01-19	$3.00	$0.00	66.8%	0.30 Years	0.00%	2.03%	$3.00	5,000	26-01-19	$ 15,000
09-10-18	01-07-20	$3.00	$0.00	66.8%	1.73 Years	0.00%	2.03%	$3.00	1,500	01-07-20	$ 1,882
09-10-18	01-07-20	$3.00	$0.00	66.8%	1.73 Years	0.00%	2.03%	$3.00	5,000	01-07-20	$ 6,274
09-10-18	01-07-20	$3.00	$0.00	66.8%	1.73 Years	0.00%	2.03%	$3.00	5,000	01-07-20	$ 6,274
21-11-18	19-03-21	$3.24	$0.00	129.6%	2.33 Years	0.00%	2.06%	$3.24	3,000	19-03-21	$ 2,530
21-02-19	30-01-21	$3.26	$0.00	131.0%	1.94 Years	0.00%	2.06%	$3.26	3,000	30-01-21	$ 1,779
21-02-19	30-01-21	$3.26	$0.00	131.0%	1.94 Years	0.00%	2.06%	$3.26	3,000	30-01-21	$ 1,779
17-04-19	30-06-20	$3.24	$0.00	93.9%	1.21 Years	0.00%	2.06%	$3.24	1,500	30-06-20	$ 817
17-04-19	12-10-20	$3.24	$0.00	94.3%	1.49 Years	0.00%	2.06%	$3.24	1,500	12-10-20	$ 661
17-04-19	12-07-21	$3.24	$0.00	94.3%	2.24 Years	0.00%	2.06%	$3.24	1,500	12-07-21	$ 440
17-04-19	12-04-22	$3.24	$0.00	94.3%	2.99 Years	0.00%	2.06%	$3.24	1,500	12-04-22	$ 330
										Total	$ 45,923

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.

25. Related party transactions

25.1 Subsidiaries

The consolidated financial statements include the financial statements of MGM Wireless Ltd and the subsidiaries that are listed in the table in Note 13.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 13.

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

25.2 Parent entity disclosure

MGM Wireless Ltd is the ultimate Australian parent entity and the ultimate parent of the Group. The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See note 3 for a summary of the significant accounting policies relating to the Group.

The following is financial information about the parent entity required by Regulation 2M.3.01 of the Corporations Act 2001:

Financial position	30/06/2019 $	30/06/2018 $
Assets		
Current assets	-	-
Non-current assets	4,804,998	6,885,843
Total assets	4,804,998	6,885,843
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Net assets	4,804,998	6,885,843
Equity		
Issued capital	10,806,726	9,966,782
Retained earnings	(6,001,728)	(3,080,939)
Total equity	4,804,998	6,885,843

Financial performance	Year Ended 30/06/2019 $	Year Ended 30/06/2018 $
Loss for the year	(2,920,789)	-
Other comprehensive income	-	-
Total comprehensive income	(2,920,789)	-

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries. There are no guarantees entered into in relation to debt for any subsidiaries.

25.4 Tax consolidation

The company and its wholly-owned Australian resident entities are members of a taxconsolidated group under Australian tax law. The company is the head entity within the taxconsolidated group. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

25.4 Key management personnel

Disclosures relating to key management personnel are set out in Note 26.

25.5 Other equity interests

There are no equity interests in associates, joint ventures or other related parties.

25.6 Transactions with related parties

During the 2019 financial year $3,080 was paid to Newsgallery for PR advisory services (2018: $10,494). Newsgallery is a related entity of Leila Henderson.

During the 2019 financial year $60,061 was paid to Mount Seventh for consulting fees (2018: $43,300). Mount Seventh is a related entity of Glen Butler.

The terms and conditions of the transactions with Directors and Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

26. Director and executive disclosures

26.1 Compensation of key management personnel

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Group is set out below:

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
Short-term	464,587	441,205
Post Employment	40,787	45,145
Other Long-Term	85,123	76,012
Fees paid to related entities	63,141	53,794
Termination Benefits	-	-
Share-based payment	386,259	95,464
	1,039,897	**711,620**

26.2 Loans with key management personnel

There were no loans to key management personnel or their related entities during the current or previous financial year.

27. Commitments

Lease commitments

At the reporting date, the Group had outstanding commitments for future minimum lease payments under noncancellable operating leases, which fall due as follows:

	Group Year Ended	
	30/06/2019	30/06/2018
	$	$
Minimum lease payments under operating leases recognised as an expense in the year	177,365	88,052
Payments due under operating leases:		
Not later than one year	176,480	84,647
Later than one year and not later than 5 years	117,653	138,583
	294,133	223,230

Operating leases relate to the office premises in Rose Park with lease terms of 3 years for all tenancies. All operating lease contracts contain annual market rental reviews. The Group does not have an option to purchase the leased offices at the end of the lease.

28. Remuneration of auditors

	Group Year Ended 30/06/2019	Group Year Ended 30/06/2018
Audit and review of financial statements of Group by:	$	$
- Grant Thornton	-	19,053
- Ian G McDonald	22,000	14,000
	22,000	33,053

Ian G McDonald was appointed as the auditor with effect from 8 June 2018. The appointment follows the resignation of Grant Thornton as the previous Company's auditor. No other services have been provided by the auditor in the 2019 financial year.

29. Company details

The registered office and principal place of business of the Company is:

Suite 13 The Parks
154 Fullarton Road
Rose Park SA 5067

30. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2019, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Additional Stock Exchange Information as at 25 September 2019

Ordinary share capital

	Ordinary Shares
Number of holders	
Distribution of listed shareholders / option holders	
1-1000	525
1001-5000	444
5001-10000	143
10001-100000	172
100001 and over	22
Total number of holders	1,306
Total on issue	**12,514,500**
Holding less than a marketable parcel	81

All issued ordinary shares carry one vote per share. Each member present in person, or by proxy, representative or attorney, has one vote on a show of hands and one vote per share on a poll for each share held. Each member is entitled to notice of, and to attend and vote at, general meetings. Options do not carry a right to vote.

Additional Stock Exchange Information as at 25 September 2019

Substantial shareholders	Number	% of units
Twenty largest shareholders		
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	570,164	4.56
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	491,015	3.92
MR NOEL GEORGE HURD	426,528	3.41
I-HOLDINGS PTY LTD <FORTUNATOW FAMILY S/F A/C>	369,371	2.95
GLENEAGLE SECURITIES (AUST) PTY LIMITED <PINK STYLE A/C>	358,393	2.86
YAVERN CREEK HOLDINGS PTY LTD	277,533	2.22
RYANU SERVICES PTY LTD <RYANU FAMILY A/C>	252,471	2.02
M/S PAULA FORTUNATOW <FORTUNATOW FAMILY A/C>	234,762	1.88
DR PRIYA AMARA SELVA-NAYAGAM + DR CRAIG LLOYD JAMES <THE JAMES SUPER FUND A/C>	207,793	1.66
MR MARK FORTUNATOW + MRS PAULA FORTUNATOW <FORTUNATOW FAMILY S/F A/C>	200,993	1.61
FGDG SUPER PTY LTD <FG HEPPINGSTONE P/L S/F A/C>	185,902	1.49
RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	180,245	1.44
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	164,811	1.32
KINGSTON PROPERTIES PTY LIMITED <THE BYRON A/C>	163,402	1.31
MR PAUL RICHARD COOPER	158,892	1.27
JB TORO PTY LTD	150,436	1.20
HONNE INVESTMENTS PTY LIMITED	140,000	1.12
MILCHAS INVESTMENTS PTY LTD <FINK GROUP SUPER FUND A/C>	140,000	1.12
MR MARCEL STEPHAN + MRS CORINA STEPHAN <STEPHAN SUPER FUND A/C>	132,951	1.06
MR CHARLES MORPHY	121,102	0.97
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	4,926,764	39.39
Total Remaining Holders Balance	*7,587,736*	60.63

Unlisted options

Additional Stock Exchange Information as at 25 September 2019

Unlisted options				
Expiry date	**30-04-20**	**30-04-22**	**30-04-22**	**30-04-22**
Exercise price	**$1.40**	**$8.00**	**$6.00**	**$10.00**
Total Options Issued	240,000	150,000	210,000	150,000
Number of holders	4	1	3	1
Holders with more than 20%				
- Mark Fortunatow	170,000	150,000	130,000	150,000
- Tara Lewis-Christie	10,000	-	-	-
- Mark Hurd	50,000	-	-	-
- Leila Henderson	10,000	-	40,000	-
- Mark Butler	-	-	40,000	-

Restricted securities

There are no restricted securities.

On-market buy-back

Currently there is no on-market buyback of the Company's securities.

Company Secretary

Mr Justin Nelson

Registered Office and Principal Administration Office

Suite 13 The Parks
154 Fullarton Avenue
Rose Park SA 5067
Telephone (08) 8104 9555

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Ph 1300 556 161
(08) 9415 4000
F 1300 534 087