MSL Solutions Limited ABN 96 120 815 778

Half-year final report for the period ended 31 December 2019

Lodged with the ASX under listing Rule 4.2A

Results for announcement to the market
31 December 2019
MSL Solutions Limited

Appendix 4D Reference		31 Dec 2019 $'000	31 Dec 2018 $'000	Variance $'000	Variance %
2.1	Revenue from ordinary activities	12,909	13,894	(985)	(7.1)%
2.2	Profit/(loss) from ordinary activities after tax attributable to members	(15,983)	(3,650)	(12,333)	(337.9)%
2.3	Net profit/(loss) for the period attributable to members	(15,315)	(3,157)	(12,158)	(385.1)%
2.4	Dividends/distributions	No dividends were paid during the period, and no dividends have been proposed for payment.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to Directors' Report – Review of operations			
3	Net tangible assets per share (cents)*	31 Dec 2019	(1.2)c	31 Dec 2018	(0.9)c
4	Details of entities over which control has been gained or loss	Not applicable			
5	Details of Individual and total Dividends	Not applicable			
6	Details of dividend reinvestment plans in operation	Not applicable			
7	Details of associates or joint venture entities	Not applicable			
8	Foreign entities	Foreign entities have been accounted for in accordance with Australian Accounting Standards.			
9	The 31 December 2019 interim financial report and accompanying notes for the Group have been reviewed by the Auditor, who has expressed an unqualified review conclusion with a material uncertainty regarding going concern. Additional information can be found under Note 1 to the half-year report.				

*Net tangible assets per share calculation is exclusive of right-of-use assets adopted under AASB16 and includes contract assets.

M•POWER MSL

MSL Solutions Limited

INTERIM FINANCIAL REPORT – 31 DECEMBER 2019

Directors' Report

The Directors of MSL Solutions Limited ('MSL' or 'the Company') submit their report together with the consolidated financial report of the Company, comprising the Company and its controlled entities ('the Group') for the half year ended 31 December 2019 and the auditor's review report thereon.

Directors

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

Name	Director since
Non-Executive	
Mr John Down	October 2008 (retired 30 August 2019)
Mr Ian Daly	December 2009 (retired 30 August 2019)
Mr Earl Eddings	April 2019
Dr Richard Holzgrefe	December 2007
Mr David Trude	March 2017
Mr David Usasz	Appointed 5 February 2020
Executive	
Mr Craig Kinross (Managing Director & Chief Executive Officer)	November 2012 to 20 August 2019
Mr Tony Toohey (Executive Chairman)	Appointed 1 September 2019

Financial and Operational Review

An analysis of the Company's interim period's financial and operating performance from continuing operations is outlined below. Unless otherwise stated, all values are expressed in Australian Dollars (AUD).

Group results

Following the strategic review announced in August 2019, the first half of 2020 has seen the business reduce its costs to right size the business more in line with its predictable recurring revenue, address its working capital and cash position and review the balance sheet.

Operating expenses reduced by $2.164 m compared to the prior corresponding period after restructuring and transaction costs of $936 k in the 6 months to December 2019.

Cash proceeds were raised via two separate capital raisings in the 6 months period totaling $5.210 m (net of costs) being a placement to sophisticated and institutional investors and then to existing shareholders via a Share Purchase Plan.

A review of the balance sheet as at 31 December 2019 resulted in an additional significant Expected Credit Loss provision amounting to $616k and an impairment of goodwill of $10.672 m.

The additional provision for Expected Credit Loss relates to sales contracts and revenue recorded in prior periods which are showing risk of recovery. The aggregate provision for Expected Credit Loss as at 31 December 2019 is $850 k.

The Board and management have assessed the risk of various reseller agreements the Company has in place in order to provide products and services to its customer base and the challenges in the complete and efficient integration of various golf-based products. Accordingly, this has resulted in an impairment charge of $10.672 m for the 6 months to 31 December 2019 reducing the carrying value of goodwill at balance date to nil. Total revenue for the 6 months to 31 December 2019 was $12.926 m which is 7.1% lower than the corresponding prior period (pcp). It should be noted, however, that recurring revenue for the 6 months to 31 December 2019 grew to $8.849 m from $8.661 m in pcp as the business continues to improve its Recurring Revenue to Operating Expense ratio – which has continued to improve from the restructuring in August 2019.

Although non-recurring revenue for the 6 months to 31 December 2019 has reduced by 22.4% to $4.060 m (31 Dec 18: $5.233 m), there has been deliberate action to improve the quality of the revenue being booked and in the pipeline – the business believes its pipeline has increased in strength and will drive an improved revenue outcome into the second half of 2020.

As outlined at the recent Annual General Meeting, the Company continues to review our non-core products and businesses to maximise value to shareholders. Accordingly, subsequent to 31 December 2019, the business sold its iSeekGolf.com website and business to NBC/GolfNow for $1.7 m - $2.0 m.

The EBITDA for the 6 months to 31 December 2019 is a loss of $1.563 m which is an improvement from pcp of 48.2% (31 Dec 2018: EBITDA loss of $3.019 m). The EBITDA is calculated prior to the significant Expected Credit Loss charge of $616 k, restructuring and transaction costs of $936 k and goodwill impairment of $10.672 m.

The rightsizing of the business, capital raising, review of non-core products and businesses and review of the balance sheet has dominated the 6 months to 31 December 2019, however, the Company believes it now has a baseline for shareholders to experience sustainable growth and a return to profitability. As we enter calendar year 2020, we will continue to focus on:

- managing operating expenses as a ratio to recurring revenues;
- reviewing of non-core products and businesses;
- assessing opportunities to transition from a reseller to owning our own intellectual property; and
- improving the quality and strength of our pipeline opportunities.

Since 31 December 2019, the business has successfully launched the world handicapping system in Australia and Finland with a number of national golf federations to follow in 2020 with the support of MSL.

Consolidated summary of results for the half year ended 31 December 2019	Dec-19	Dec-18
Statutory results	**A$'000**	**A$'000**
Revenue	**12,926**	**13,914**
Cost of sales	(3,702)	(3,982)
Gross margin	**9,224**	**9,932**
Operating expenses	(10,787)	(12,951)
EBITDA *	**(1,563)**	**(3,019)**
Depreciation and amortisation	(2,833)	(2,436)
Restructure and transaction costs	(936)	(76)
Expected credit loss - prior period	(616)	-
Impairment expense	(10,672)	-
EBIT	**(16,620)**	**(5,531)**
Net finance income/(costs)	(139)	-
NPBT	**(16,759)**	**(5,531)**
Income tax benefit	776	1,881
NPAT	**(15,983)**	**(3,650)**

* EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transaction costs, material credit loss provision increase relating to sales and revenue from prior periods, impacts from fair value movements through the income statement (including impairment of goodwill) and gains resulting from acquisition accounting.

Dividends

No dividends were paid to shareholders during the period, and no dividend has been declared or paid subsequent to the end of the financial period.

Rounding of amounts

The Company is of a kind referred in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and consolidated interim financial statements. Amounts rounded are rounded off to the nearest thousand dollars.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307c of the *Corporations Act 2001* is included at page 6 of this report.

Signed in accordance with a resolution of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors

David Usasz

Tony Toohey
Executive Chairman

David Usasz
Director

Level 18,
King George Central
145 Ann Street
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of MSL Solutions Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of MSL Solutions Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 28th February 2020

Financial Statements

Interim consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2019

	Note	Dec-19 A$'000	Dec-18 A$'000
Revenue	4	12,909	13,894
Other income	4	17	20
Cost of sales		(3,702)	(3,982)
Sales and marketing expenses		(2,119)	(3,445)
Customer support and technical services		(2,810)	(3,739)
Research and development expenses		(2,540)	(3,144)
General and administration expenses		(3,944)	(2,585)
Other gains and expenses (net)		10	(38)
Depreciation expense		(34)	(92)
Amortisation expense		(2,799)	(2,344)
Impairment expense	8a	(10,672)	-
Restructuring and transaction costs		(936)	(76)
Finance costs		(139)	-
(Loss) before income tax		**(16,759)**	**(5,531)**
Income tax benefit/(expense)		776	1,881
(Loss) for the half-year		**(15,983)**	**(3,650)**
Foreign currency translation		668	493
Other comprehensive income for the half-year		**668**	**493**
Total comprehensive (loss) for the half-year		**(15,315)**	**(3,157)**
Loss attributable to:			
Owners of MSL Solutions Limited		(15,315)	(3,157)
		(15,315)	**(3,157)**
Total comprehensive (loss) for the half-year attributable to:			
Owners of MSL Solutions Limited		(15,315)	(3,157)
		(15,315)	**(3,157)**
EARNINGS PER SHARE FROM LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share (cents)	11	(6.1)	(1.5)
Diluted earnings per share (cents)	11	(6.1)	(1.5)

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

Interim consolidated balance sheet as at 31 December 2019

	Note	Dec-19 A$'000	Jun-19 A$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	4,421	2,284
Trade and other receivables		3,875	5,610
Contract assets		415	1,766
Other current assets		577	890
Total current assets		**9,288**	**10,550**
Non-current assets			
Receivables		464	646
Contract assets		776	818
Property, plant and equipment		201	222
Right of Use Asset		3,176	-
Intangible assets	8a	15,639	27,974
Deferred Tax Asset		2,272	1,314
Other non-current assets		56	115
Total non-current assets		**22,584**	**31,089**
Total assets		**31,872**	**41,639**
LIABILITIES			
Current liabilities			
Trade and other payables		3,679	4,712
Lease liability	2a	414	-
Financial liabilities		165	180
Borrowings		745	833
Provisions	8b	1,279	1,231
Income tax payable		363	217
Contract liabilities		4,740	6,298
Total current liabilities		**11,385**	**13,471**
Non-current liabilities			
Borrowings	6	590	914
Deferred tax liabilty		2,032	2,051
Lease liability	2a	2,842	-
Financial liabilities		-	165
Provisions	8b	93	127
Total non-current liabilities		**5,557**	**3,257**
Total liabilities		**16,942**	**16,728**
Net assets		**14,930**	**24,911**
EQUITY			
Contributed equity	10	66,213	61,003
Reserves		3,522	2,730
Accumulated losses		(54,805)	(38,822)
Total equity		**14,930**	**24,911**

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

Interim consolidated statement of changes in equity for the six months ended 31 December 2019

	Contributed equity $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Total equity $'000
Balance as at 30 June 2018	60,988	(21,128)	2,382	103	42,345
Total comprehensive income for the period					
Profit for the period	-	(3,650)	-	-	(3,650)
Other comprehensive income	-	-	493	-	493
Total comprehensive income for the period	-	(3,650)	493	-	(3,157)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	15	-	-	-	15
Share-based payments expense	-	-	-	62	62
Total transactions for the period	15	-	-	62	77
Balance as at 31 December 2018	**61,003**	**(24,778)**	**2,875**	**165**	**39,265**
Balance as at 30 June 2019	61,003	(38,822)	2,442	288	24,911
Total comprehensive loss for the period					
Loss for the period	-	(15,983)	-	-	(15,983)
Other comprehensive income	-	-	668	-	668
Total comprehensive loss for the period	-	(15,983)	668	-	(15,315)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	5,210	-	-	-	5,210
Share-based payments expense	-	-	-	124	124
Total transactions for the period	5,210	-	-	124	5,334
Balance as at 31 December 2019	**66,213**	**(54,805)**	**3,110**	**412**	**14,930**

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

Interim consolidated statement of cash flows for the six months ended 31 December 2019

	Note	Dec-19 $'000	Dec-18 $'000
Cash flows from operating activities			
Receipts from customers		14,451	15,627
Payments to suppliers, employees and others		(15,696)	(18,259)
Restructure Costs		(936)	-
Finance costs		(165)	-
Interest received		27	10
Net cash flows used in operating activities		**(2,319)**	**(2,622)**
Cash flows from investing activities			
Capital expenditure		(14)	(56)
Acquisition of subsidiaries, net of cash & cash equivalents		(180)	(3,802)
Payment for research and development activities		(508)	-
Proceeds from disposal of investment		652	39
Net cash flows used in investing activities		**(50)**	**(3,819)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,274
Repayment of borrowings		(362)	(19)
Principal element of lease payments		(273)	-
Proceeds from issue of share capital		5,431	-
Costs paid on issuance of share capital		(221)	-
Net cash flows provided by financing activities		**4,575**	**1,255**
Net cash inflow / (outflow) for the half-year		**2,206**	**(5,186)**
Cash at beginning of the year		2,130	6,647
Effect of foreign exchange		10	(20)
Cash at end of the half-year	**5**	**4,346**	**1,441**

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

Notes to the consolidated financial statements

1. Reporting entity

MSL Solutions Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 1, 307 Queen Street, Brisbane, Queensland.

The consolidated interim financial report of the Company as at and for the period ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the Group and individually as Group entities).

The Group is a for-profit entity and is primarily involved in the global provision of hosted, software as a service (SaaS) and on-site deployed solutions to clients in the sport, leisure and hospitality sectors. Golf and Venue are the key segments which include:

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

a) Basis of preparation

This consolidated interim financial report for the half year period ended 31 December 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard *AASB 134: Interim Financial Reporting.*

The consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by MSL Solutions Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. Where applicable, various comparative balances have been reclassified to align with current period presentation. These amendments have no material impact on the consolidated financial statements.

The interim financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

b) Going concern assumption

In August 2019, the Group announced a strategic review to return the Group to profitability and positive cash flow by reducing costs in line with recurring revenue. Progress has seen costs reduced, improved EBITDA from prior corresponding period and improved cash outcomes from operating activities prior to restructuring costs.

In the six months to 31 December 2019, the Group completed two successful capital raisings via a share placement to institutional and sophisticated investors and a share purchase plan to eligible shareholders which raised a combined $5.431 m.

As at 31 December 2019, the Group had net cash of $4.421 m (30 June 2019: $2.284 m; 31 Dec 2018: $1.497 m). The Group recorded a loss after tax of $15.983 m and operating cash outflows of $2.319 m for the 6 months ended 31 December 2019 (31 December 2018: $3.650 m loss after tax and operating cash outflows of $2.622 m). The Directors recognize that, prima facie, these circumstances represent a material uncertainty regarding the Group's ability to continue as a Going Concern.

The Directors have approved cash flow forecasts that indicate the Group will manage its operating cash flow requirements beyond 12 months from the date of these financial statements. As with any forecasts there are uncertainties within the assumptions required to meet the Group's expectation, however, the Directors consider the revenue and expense assumptions are achievable given the focus of new management and the strategic direction the business is taking. Furthermore, given the recent success in raising capital, the Directors believe that, if required, further capital could be accessed.

On the above basis, the Directors are of the view that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report and that the basis of preparation of this financial report is appropriate.

c) New and amended standards adopted by the group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

- AASB 16 *Leases*

The impact of the adoption of this standard and the new accounting policies is disclosed in note 2 below.

d) Impact of standards issued but not yet applied by the entity

There is no impact on standards issued but not yet applied.

2. Changes in accounting policies

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

a) Impact on the financial statements

The Group transitioned to AASB16 on 1 July 2019 on the modified retrospective approach. The Group recognised a Right-of-Use Asset of $3.529 m on the 1 July 2019 and a corresponding Lease Liability of $3.529 m.

When measuring lease liabilities, the Group discounted lease payments using a discount rate of 6.5%.

	Lease liability $'000
Operating lease commitment at 30 June 2019	6,912
Discounted using the incremental borrowing rate at 1 July 2019	5,244
Lease options not excercised	(1,715)
Current lease liability	551
Non current lease liability	2,978
Opening Balance 1 July 2019	3,529
Principal element of lease payments	(273)
Interest element of lease payments	(110)
Current lease liability	414
Non current lease liability	2,842
Closing Balance 31 December 2019	3,256

b) AASB 16 Leases – impact of adoption

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with an amortisation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and amortisation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The comparative information has not been restated and continues to be reported under AASB 117. The details of accounting policies under AASB 117 are disclosed separately if they are different from those under AASB 16.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use asset by the amount of AASB 137 onerous contract provision immediately before the date of application, as an alternative to an impairment review;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has two property leases that are expiring within the next 6 months. These leases have been included as part of the Right-of-Use Asset as at 31 December 2019 at the present value until the expiry date of these leases. As at the date of this report, the Group has entered into a new lease for each of these locations with commencement dates on 1 April 2020 and 1 July 2020 respectively. The Right-of-Use Asset and Finance Lease calculations for these two new leases have not been included as at 31 December 2019 but will be included on their effective date of 1 April 2020 and 1 July 2020 respectively.

Leases previously classified as finance leases under AASB 117

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

c) Summary of significant accounting policies

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the amortisation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Critical accounting judgements, estimates and assumptions

Right of use assets

Management have assessed which leases with the options to renew or reasonably likely to be renewed. In the event these renewals do not take place, there may be a significant impact on the right of use asset and associated liability.

3. Segment information

a) Description of segments and principal activities

The Group's executive management team, consisting of the Chief Executive Officer, the Chief Financial and Operating Officer, Executive General Manager - Sales, Marketing and Partnerships, Executive General Manager – Product and Support, Executive General Manager – Research and Development and General Manager – Human Resources examine the Group's performance from an industry perspective with entities in similar markets grouped on a global basis. The following are the identified reportable segments:

1. **MPower Venue**: services the stadia and arena and registered clubs (excluding golf clubs) on a global basis.
2. **MPower Golf**: services the golf clubs and associations market on a global basis.
3. **Corporate**: provides corporate governance overheads for all other segments on a global basis.

Note – the segment of Emerging Markets was discontinued as announced in August 2019 as part of the Board led strategic review.

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

b) Segment Revenue and Adjusted EBITDA

Six months ended 31 December 2019	MPower Venue A$'000	MPower Golf A$'000	Emerging Markets A$'000	Total A$'000
Revenue from external customers	7,877	5,032	-	12,909
Timing of revenue				
At a point in time	3,082	978	-	4,060
Over time	4,795	4,054	-	8,849
EBITDA before corporate overheads	3,076	3,899	-	6,975
Corporate overheads				(8,538)
EBITDA after corporate overheads				(1,563)

Six months ended 31 December 2018	MPower Venue A$'000	MPower Golf A$'000	Emerging Markets A$'000	Total A$'000
Revenue from external customers	8,688	5,206	-	13,894
Timing of revenue				
At a point in time	4,051	1,182	-	5,233
Over time	4,637	4,024	-	8,661
EBITDA before corporate overheads	3,214	3,609	(218)	6,605
Corporate overheads				(9,624)
EBITDA after corporate overheads				(3,019)

EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transaction costs, material credit loss provision increase relating to sales and revenue from prior periods, impacts from fair value movements through the income statement (including impairment of goodwill) and gains resulting from acquisition accounting.

c) Segment Adjusted EBITDA reconciliation to loss before tax

Reconciliation of segment adjusted EBITDA to Profit /(Loss) before income tax	Dec-19 A$'000	Dec-18 A$'000
Segment EBITDA	(1,563)	(3,019)
Depreciation & amortisation	(2,833)	(2,436)
Transaction and restructuring costs	(936)	(76)
Expected credit loss - prior period	(616)	-
Finance costs (net)	(139)	-
Impairment expense	(10,672)	-
Loss before income tax	(16,759)	(5,531)

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss and other comprehensive income.

4. Revenue

The Company derives the following types of revenue:

	Consolidated	
	31 Dec 19	31 Dec 18
	$'000	$'000
Recurring Revenue		
Customer contracts annuities	4,972	4,765
Subscription annuities	3,877	3,896
Total - Recurring revenue	**8,849**	**8,661**
Non-recurring revenue		
Booking Fees	174	117
System Installations	1,090	1,305
Software Fees and Royalties	746	659
Hardware Fees	1,821	2,621
Advertising	173	402
Other	56	129
Total - Non-recurring revenue	**4,060**	**5,233**
Revenue from Operating Activities	12,909	13,894
Other Income		
Gain on sale of an asset	(1)	26
Gain on reversal of earnout provision/sale of asset	(2)	-
Settlement of professional matters	20	(6)
Total	17	20

5. Cash and Cash equivalents

The figures in the table shown below reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year, as follows:

	Consolidated	
	31 Dec 19	30 Jun 19
	$'000	$'000
Cash and cash equivalents	4,421	2,284
Bank overdrafts	(75)	(154)
Balances per statement of cash flows	4,346	2,130

6. Borrowings

In October 2018, the Group entered a loan facility to refresh working capital used for cash funded acquisitions. The total amount of the facility was $2 m which amortises over a 36 month period. $1.261 m was fully drawn at the reporting date.

The loan is a variable rate, Australian-dollar denominated loan which is carried at amortised cost. It therefore did not have any impact on the entity's exposure to foreign exchange and cash flow interest rate risk.

The loan agreement contains no financial covenants, and the facility is secured by a General Security Agreement and Guarantee and Indemnity over the Australian entities of the Group.

7. Fair value measurement of financial instruments

a) Recognised fair value measurements

i. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	31 Dec 19			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Contingent consideration - Earnout	-	-	(165)	(165)
Total Financial liabilities	-	-	(165)	(165)

	30 Jun 19			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Contingent consideration - Earnout	-	-	(345)	(345)
Total Financial liabilities	-	-	(345)	(345)

The Contingent consideration – Earnout as at 31 December 2019 relates to the Pallister Games amended earnout agreement.

Following a payment in August 2019, there is one remaining Contingent consideration due by 31 August 2020 based on agreed financial performance targets as at and for the year ended 30 June 2020.

There were no transfers between levels for recurring fair value measurements during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1 – The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques which maximize the use of observable market date and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

ii. Valuation techniques used to determine fair values.

Specific valuation techniques used to value financial instruments include:

- The fair value of remaining financial liabilities is determined using discounted cash flow analysis.

All fair value estimates are included in level 3 as they are contingent consideration payable where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

iii. Valuation processes.

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the (Acting) Chief Financial Officer (CFO) and the Company's Audit and Risk Committee (ARC). Discussions of valuation processes and results are held between the CFO and the ARC at least once every six months, in line with the Groups half-yearly reporting period.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Contingent consideration – expected cash inflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half yearly valuation discussion between the CFO and the ARC. As part of this discussion the team presents a report that explains the reason for the fair value movements.

8. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- Specific information about each type of non-financial asset and non-financial liability
  - Intangible assets (see Note 8(a))
  - Provisions (Note 8(b))

a) Intangible assets

	Consolidated	
	31 Dec 19 $'000	30 Jun 19 $'000
Goodwill		
At cost	22,316	22,014
Accumulated impairment	(22,316)	(11,500)
	-	10,514
Computer Software, other		
At cost	11,026	10,401
Accumulated amortisation	(7,300)	(6,523)
	3,726	3,878
Formation expenses		
At cost	2	2
Contracts and Customer Relationships		
At cost	24,432	24,318
Accumulated amortisation	(12,521)	(10,738)
	11,911	13,580
Total intangible assets	15,639	27,974

The Board and management have assessed the risk of various reseller agreements the Company has in place in order to provide products and services to its customer base and the challenges in the complete and efficient integration of various golf-based products. Accordingly, this has resulted in an impairment charge of $10.672 m for the 6 months to 31 December 2019 reducing the carrying value of goodwill at balance date to nil.

The Group has seen an increase in the value of intangible assets booked for Verteda Ltd and Golfbox A/S due to movement in foreign exchange rates. The corresponding growth has been accounted for in the foreign currency translation reserve.

b) Provisions

	Consolidated	
	31 Dec 19	30 Jun 19
	$'000	$'000
Current		
Long service leave	338	310
Annual leave	941	921
	1,279	1,231
Non-Current		
Long service leave	93	127
	93	127

9. Income tax

Income tax expense is recognised based on management's estimate of weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period 31 December 2019 is 4.6% compared to 34% for the six months ended 31 December 2018. The change in the effective tax rate is a reflection of the timing and non-timings differences between the accounting and tax for amortisation and impairment of intangible assets for the 6 months to 31 December 2019.

10. Equity

Share Capital

	Number of shares	Issue price	$'000
Opening Balance 1 July 2018	249,248,965		60,988
Shares issued as part of contingent consideration of Pricap	591,397	0.186	110
less: Transaction costs arising from FAT			(95)
Closing Balance 30 June 2019	249,840,362		61,003
Shares issued on placement to Sophisticated and Institutional Investors	36,427,987	0.075	2,732
Shares issued under Share Purchase Plan	35,989,811	0.075	2,699
less:transaction costs arising on shares issued			(221)
Closing Balance 31 December 2019	322,258,160		66,213

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to vote on a show of hands or by poll.

11. Earnings per share

a) Basic earnings per share

	31-Dec-19	31-Dec-18
Total basic earnings per share attributable to the ordinary equity	(6.1)	(1.5)

b) Diluted earnings per share

	31-Dec-19	31-Dec-18
Total diluted earnings per share attributable to the ordinary equity	(6.1)	(1.5)

c) Reconciliations of earnings used in calculating earnings per share

	31-Dec-19	31-Dec-18
Basic earnings per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(15,983)	(3,650)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(15,983)	(3,650)

d) Weighted average number of shares used as the denominator

	31-Dec-19	31-Dec-18
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	260,048,204	249,359,446
Adjustments for calculation of diluted earnings per share:		
- Options	-	-
- Potential shares to be issued (Pricap contingent consideration	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	260,048,204	249,359,446

4,978,572 options over ordinary shares and 5,760,000 share performance rights are not included in the calculation of diluted earnings per share as they are anti-dilutive for the half-year ended 31 December 2019. These options and share performance rights could potentially dilute basic earnings per share in the future.

12. Subsequent Events

a) Issue of options to acquire ordinary shares

On 14 January 2020, 1,019,440 options to acquire ordinary shares with an exercise price of $0.1125 and expiry of three years were issued as part compensation for the share issue to sophisticated and institutional investors.

b) Sale of iSeekGolf.com

Effective 15 January 2020, the Group disposed of its tee time booking platform, iSeekGolf.com to NBC Sports' GOLFNOW.

The divestment proceeds of $2 m will be paid to the Group in equal quarterly instalments over 10 years. NBC Sports' GOLFNOW have an option after the 5th year to prepay the remaining 5 years of quarterly instalments with a lump sum payment of $700,000. The headline proceeds, therefore, are $1.7 m to $2 m over a 5 to 10-year period valuing the business a 5 to 6 times FY19 revenue.

Directors' Declaration

In accordance with a resolution of the Directors of MSL Solutions Limited, in the Directors' opinion:

a) The consolidated interim financial statements and notes set out on pages 7 to 21, are in accordance with the Corporations Act 2001, including:
   i. Giving a true and fair view of Group's financial position as at 31 December 2019 and of its performance, for the period ended on that date;
   ii. Complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001; and

b) There are reasonable grounds to believe that MSL Solutions Limited will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors:

Tony Toohey
Executive Chairman

David Usasz

David Usasz
Director

Dated at Brisbane, 28th February 2020.

Level 18,
King George Central
145 Ann Street
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of MSL Solutions Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of MSL Solutions Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of MSL Solutions Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss of $15,983,000 during the half-year ended 31 December 2019 and had cash outflows from operations of $2,319,000 for the period. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MSL Solutions Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 28th February 2020