

# **MMG Solutions Pty Ltd**

## **Financial Statements**

**For the Period Ended 30 June 2014**

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For the Period Ended 30 June 2014

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# **MMG Solutions Pty Ltd**

## **Directors' Report**

**For the Period Ended 30 June 2014**

The directors present their report on MMG Solutions Pty Ltd for the period ended 30 June 2014.

### **1. General information**

#### **Information on directors**

The names of each person who has been a director during the period and to the date of this report are:

Mr Richard Levy

Mr Alistair Lachlan Wardlaw

Mr Gavin Alan Campion (Appointed 2 February 2015)

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

#### **Principal activities**

The principal activity of MMG Solutions Pty Ltd during the period was development of Intellectual Property.

No significant changes in the nature of the Company's activity occurred during the period.

### **2. Operating results and review of operations for the period**

#### **Operating results**

The loss of the Company after providing for income tax amounted to \$ 101,787.

#### **Review of operations**

A review of the operations of the Company during the period and the results of those operations show that the company is still non-trading. Funding of the research and development carried out was financed through loans as shown in the balance sheet.

### **3. Other items**

#### **Significant changes in state of affairs**

There have been no significant changes in the state of affairs of the Company during the period.

#### **Matters or circumstances arising after the period**

On the 23rd of March 2015, all of the share capital of MMG Products Pty Ltd and MMG Solutions Pty Ltd (together, known as the "MMG Business") was acquired by Knosys Pty Ltd through the issue of share equity, which was a reverse acquisition whereby MMG Solutions Pty Ltd achieved overall control of the legal entities, Knosys Pty Ltd and MMG Products Ltd.

On the 13th May 2015, the loan balance payable to MMG Interactive Pty Ltd as at this date was settled in full by the issue of 742,260 fully paid ordinary shares in the capital of Knosys Pty Ltd.

Except for the above, no other matters or circumstances have arisen since the end of the period which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

#### **Future developments and results**

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

## **Directors' Report**

**For the Period Ended 30 June 2014**

### **3. Other items continued**

#### **Environmental matters**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

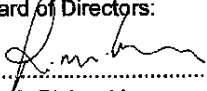
#### **Indemnification and insurance of officers and auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer or auditor of MMG Solutions Pty Ltd.

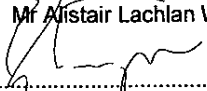
#### **Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the period ended 30 June 2014 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .....  
  
Mr Richard Levy

Director: .....  
  
Mr Alistair Lachlan Wardlaw

Director: .....  
  
Mr Gavin Alan Campion

Dated: 26 May 2015

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF MMG SOLUTIONS PTY LTD**

I declare that, to the best of my knowledge and belief during the period ended 30 June 2014 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck Audit [Vic] Pty Ltd**  
ABN 59 116 151 136

*N. S. Benbow*

**N. S. BENBOW**

Director

Dated this 26<sup>th</sup> day of May, 2015

**CHARTERED ACCOUNTANTS  
& ADVISORS**

**Melbourne Office**  
Level 20, 181 William Street  
Melbourne VIC 3000

**Hawthorn Office**  
Level 1, 465 Auburn Road  
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142  
Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)

**MMG Solutions Pty Ltd**

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Period Ended 30 June 2014**

|  | <b>Note</b> | <b>25 June 2013<br/>to<br/>30 June 2014<br/>\$</b> |
|--|-------------|--|
| Other Income   | 6           | 83,138   |
| Other expenses   |             | (250)  |
| Research & Development costs                                 |             | <u>(184,750)</u>                                   |
| Profit before income tax                                     |             | (101,862)  |
| Income tax benefit   |             | <u>75</u>  |
| Profit for the period attributable to members of the company |             | <u>(101,787)</u>                                   |
| Total comprehensive income for the period                    |             | <u><u>(101,787)</u></u>                            |

These statements should be read in conjunction with the accompanying notes.

**MMG Solutions Pty Ltd****Statement of Financial Position****As At 30 June 2014**

|                                  | Note | 2014<br>\$       |
|----------------------------------|------|------------------|
| <b>ASSETS</b>                    |      |                  |
| <b>CURRENT ASSETS</b>            |      |                  |
| Cash and cash equivalents        | 2    | 1,799            |
| Trade and other receivables      | 3    | 18,475           |
| Current tax receivable           |      | 83,138           |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u>103,412</u>   |
| <b>NON-CURRENT ASSETS</b>        |      |                  |
| Deferred tax assets              |      | 75               |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <u>75</u>        |
| <b>TOTAL ASSETS</b>              |      | <u>103,487</u>   |
| <b>LIABILITIES</b>               |      |                  |
| <b>CURRENT LIABILITIES</b>       |      |                  |
| Trade and other payables         | 4    | 205,250          |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u>205,250</u>   |
| <b>NET ASSETS</b>                |      | <u>(101,763)</u> |
| <b>EQUITY</b>                    |      |                  |
| Issued capital                   | 5    | 24               |
| Retained accumulated losses      |      | (101,787)        |
| <b>TOTAL EQUITY</b>              |      | <u>(101,763)</u> |

These statements should be read in conjunction with the accompanying notes.

**MMG Solutions Pty Ltd**

**Statement of Changes in Equity**

**For the Period Ended 30 June 2014**

| <b>25 June 2013 to 30 June 2014</b>                     | <b>Ordinary Shares</b> | <b>Accumulated<br/>Losses</b> | <b>Total</b> |
|---|------------------------|-------------------------------|--------------|
|   | <b>\$</b>              | <b>\$</b>                     | <b>\$</b>    |
| Opening balance   | -                      | -                             | -            |
| Shares issued during the period                         | 24                     | -                             | 24           |
| Profit or loss attributable to<br>members of the entity | -                      | (101,787)                     | (101,787)    |
| Balance at 30 June 2014                                 | 24                     | (101,787)                     | (101,763)    |

These statements should be read in conjunction with the accompanying notes.



**MMG Solutions Pty Ltd**

**Statement of Cash Flows**

**For the Period Ended 30 June 2014**

|   | Note | 25 June 2013<br>to<br>30 June 2014<br>\$ |
|---|------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                  |      |  |
| Payments to suppliers and employees                           |      | (203,475)                                |
| Net cash provided by (used in) operating activities           |      | <u>(203,475)</u>                         |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |      |  |
| Proceeds from issue of shares                                 |      | 24                                       |
| Proceeds from borrowings                                      |      | <u>205,250</u>                           |
| Net cash used by financing activities                         |      | <u>205,274</u>                           |
| <br>Net increase (decrease) in cash and cash equivalents held |      | 1,799                                    |
| Cash and cash equivalents at beginning of period              |      | -  |
| Cash and cash equivalents at end of the period                | 2    | <u><u>1,799</u></u>                      |

These statements should be read in conjunction with the accompanying notes.

## **Notes to the Financial Statements**

### **For the Period Ended 30 June 2014**

The financial report covers MMG Solutions Pty Ltd as an individual entity. MMG Solutions Pty Ltd is a for profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of MMG Solutions Pty Ltd is Australian dollars.

#### **1 Summary of Significant Accounting Policies**

##### **(a) Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

In accordance with Section 323D of the Corporations Act 2001, the directors have determined that the first financial period for the company will commence on the date of its incorporation 25 June 2013 and end on 30 June 2014.

##### **Rounding of amounts**

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest dollar.

##### **(b) Financial instruments**

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### *Financial Assets*

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

## **Notes to the Financial Statements**

### **For the Period Ended 30 June 2014**

#### **1 Summary of Significant Accounting Policies continued**

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

##### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

##### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

## **Notes to the Financial Statements**

### **For the Period Ended 30 June 2014**

#### **1 Summary of Significant Accounting Policies continued**

##### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

Purchases and sales of available-for-sale investments are recognised on settlement date.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired. In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

##### *Financial liabilities*

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Company's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

##### *Impairment of financial assets*

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### **Financial assets at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

##### **Available-for-sale financial assets**

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment; in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2014**

### **1 Summary of Significant Accounting Policies continued**

#### **(c) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

#### **(d) Income Tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the period).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

- 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 accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2014**

### **1 Summary of Significant Accounting Policies continued**

#### **(e) Goods and Services Tax (GST)**

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

Receivables and payable are stated inclusive of GST.

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

Cash flows are included in the statement of cash flows are included 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 is classified as operating cash flows.

#### **(f) Government Grants**

Income from grants will only be recognised once it has been established there is reasonable assurance that all conditions under the terms of the grant will be met and that the grant will be received. Income included in the profit or loss is reported on a systematic basis over the periods in which the related costs have been incurred for which the grant is intended to compensate and will be carried forward as unearned income until such time.

Alternatively any government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable; as other income.

#### **(g) Going concern**

The financial statements have been prepared on a going concern basis notwithstanding that the Company incurred a net loss for the period of \$101,787 and recorded a net deficiency of assets as at 30 June 2014 totalling \$101,763.

The directors of MMG Solutions Pty Ltd believe that the Company can continue to apply the going concern basis of accounting for the following reasons:

- Subsequent to the end of the reporting period, all of the share capital of the Company and a related entity, MMG Products Pty Ltd was acquired by Knosys Pty Ltd (the newly formed group is known as "the consolidated group") through the issue of share equity to the Company's shareholders. As a consequence of transaction, the ability of the Company to continue as a going concern will be contingent upon the operations of the newly formed consolidated group. In assessing the Company, and ultimately the newly formed Consolidated Group's ability to continue as a going concern, the following factors have been considered:
  - The Company forms an important strategic part of the newly formed consolidated group and the parent company of the newly formed consolidated group, Knosys Pty Ltd have agreed to support the Company with working capital loans for a period of at least 12 months from the date of this report. The Company and other members within the newly formed consolidated group have existing contracts in place from which they expect to derive revenues;
  - Since the transaction, the newly formed consolidated group has entered into two significant contracts, which management anticipate will generate net working capital inflows for the next 12 months and that they will be sufficient to support the overall working capital requirements of the newly formed consolidated group;

## Notes to the Financial Statements

For the Period Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (h) Going concern continued

- The members of the newly formed consolidated group anticipate that they will continue to receive research and development credits from the ATO from research and development programs. These credits are received in arrears and the entities within the newly formed consolidated group have a strong history of their receipt.
- The directors of the parent company of the newly formed consolidated group, Knosys Pty Ltd are in the process of raising capital and are expecting to raise a minimum of \$3,000,000 via an Initial Public Offering (IPO). The IPO is still in its formative stages however the directors of Knosys Pty Ltd are confident of its success.
- The newly formed consolidated group will prudently manage its costs, of which the majority can be flexed, in order to continue to manage its working capital needs.
- The Company has also received written representations from MMG Interactive Partnership (a related entity) that they will not demand repayment of amounts owing to them at the end of the reporting period or incurred subsequent to that date for a period of at least 12 months from the date of this report unless the Company has the ability to make such payments without jeopardising its working capital position.

Based upon these points, the directors believe that the Company will have access to sufficient working capital reserves that it requires in order to meet its forecast plans. Consequently, the financial report does not contain any adjustments relating to the recoverability and classification of recorded assets nor to the amounts or classification of recorded liabilities that might be necessary should the Company not be able to continue as a going concern.

#### (i) Adoption of new and revised accounting standards

| <b>Standard Name</b>   | <b>Impact</b>   |
|--|---|
| AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income                      | The adoption of this standard has not changed the reported financial position and performance of the entity; however the presentation of items in other comprehensive income has changed. |
| AASB 112 Income Taxes  | There has been no impact on the reported financial position and performance   |
| AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments | There has been no impact due the entity not being a government department   |

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2014**

### **2 Cash and cash equivalents**

|                          | <b>2014</b>  |
|--------------------------|--------------|
|                          | <b>\$</b>    |
| Cash at bank and in hand | <u>1,799</u> |

#### **Reconciliation of cash**

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

|                           |              |
|---------------------------|--------------|
| Cash and cash equivalents | <u>1,799</u> |
|---------------------------|--------------|

### **3 Trade and other receivables**

|                |               |
|----------------|---------------|
| CURRENT        |               |
| GST receivable | <u>18,475</u> |

### **4 Trade and other payables**

|                        |                |
|------------------------|----------------|
| CURRENT                |                |
| Unsecured liabilities  |                |
| Related party payables | <u>205,250</u> |

### **5 Issued Capital**

|                 |           |
|-----------------|-----------|
| Ordinary shares | <u>24</u> |
|-----------------|-----------|

#### **(a) Ordinary shares**

|                                    | <b>2014</b> |
|------------------------------------|-------------|
|                                    | <b>No.</b>  |
| Opening balance                    | -           |
| Shares issued during the period    | <u>24</u>   |
| At the end of the reporting period | <u>24</u>   |

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.



**Notes to the Financial Statements**  
**For the Period Ended 30 June 2014**

**6 Revenue and Other Income**

|                | <b>2014</b> |
|----------------|-------------|
|                | <b>\$</b>   |
| Other Income   |             |
| R&D tax refund | 83,138      |

**7 Income Tax Expense**

(a) The major components of tax expense (income) comprise:

|   |      |
|---|------|
| Current tax expense                           |      |
| Income tax benefit                            | (75) |
| Income tax benefit from continuing operations | (75) |
| Total income tax expense benefit              | (75) |

(b) Reconciliation of income tax to accounting profit:

|  |          |
|--|----------|
| Prima facie tax receivable on loss from ordinary activities before income tax at 30% | (30,536) |
|--|----------|

Add:

Tax effect of:

|                                |        |
|--------------------------------|--------|
| - Research & Development costs | 55,425 |
|                                | 24,889 |

Less:

Tax effect of:

|                                 |        |
|---------------------------------|--------|
| - Non-assessable R&D tax refund | 24,964 |
| Income tax benefit              | (75)   |

**8 Key Management Personnel Disclosures**

The total remuneration paid to key management personnel of the Company is nil.

**9 Contingencies**

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2014.

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2014**

### **10 Related Parties**

#### **Related Parties**

The Company's main related parties are as follows:

MMG Interactive Pty Ltd

MMG Products Pty Ltd

#### **Related Parties**

##### **(a) Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

##### **(b) Entities subject to significant influence by the Group**

An entity which has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

##### **(c) Other related parties**

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

##### **(d) Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

|                                | <b>Purchases</b> | <b>Sales</b> | <b>Balance outstanding</b> |                            |
|--------------------------------|------------------|--------------|----------------------------|----------------------------|
|                                |                  |              | <b>Owed to the company</b> | <b>Owed by the company</b> |
| <b>MMG Interactive Pty Ltd</b> |                  |              |                            |                            |
| Borrowings                     | 184,750          | -            | 205,000                    | -                          |
| <b>MMG Products Pty Ltd</b>    |                  |              |                            |                            |
| Borrowings                     | 250              | -            | 250                        | -                          |

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2014**

### **11 Events Occurring After the Reporting Date**

On the 23rd of March 2015, all of the share capital of MMG Products Pty Ltd and MMG Solutions Pty Ltd (together, known as the "MMG Business") was acquired by Knosys Pty Ltd through the issue of share equity, which was a reverse acquisition whereby MMG Solutions Pty Ltd achieved overall control of the legal entities, Knosys Pty Ltd and MMG Products Ltd.

On the 13th May 2015, the loan balance payable to MMG Interactive Pty Ltd as at this date was settled in full by the issue of 742,260 fully paid ordinary shares in the capital of Knosys Pty Ltd.

Except for the above, no other matters or circumstances have arisen since the end of the period which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

### **12 Company Details**

The registered office of the company is:

Level 2, 200 Lygon Street  
Carlton  
VIC 3053

The principal place of business is:

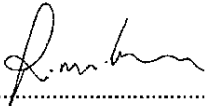
40 Glasshouse Road  
Collingwood  
VIC 3066

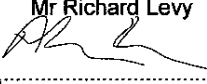
## **Directors' Declaration**

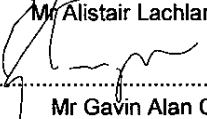
The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 17, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the period ended on that date of the Company.
2. In the director's 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 with the continuing support of creditors.

This declaration is made in accordance with a resolution of the Board of Directors.

Director .....   
Mr Richard Levy

Director .....   
Mr Alistair Lachlan Wardlaw

Director .....   
Mr Gavin Alan Campion

Dated: 26 May 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MMG SOLUTIONS PTY LTD**

### **Report on the Financial Report**

We have audited the accompanying financial report of MMG Solutions Pty Ltd on pages 4 to 18, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

#### **CHARTERED ACCOUNTANTS & ADVISORS**

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Melbourne VIC 3000

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Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142  
Telephone: +61 3 9824 8555  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MMG SOLUTIONS PTY LTD  
(CONT)**

*Auditor's Opinion*

In our opinion:

- a) the financial report of MMG Solutions Pty Ltd on pages 4 to 18 is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of \$101,787 during the period ended 30 June 2014 and, as of that date, had a net assets deficiency of \$101,763. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore the company may be unable to realise its assets and discharge liabilities in the normal course of business.

*William Buck*

**William Buck Audit [Vic] Pty Ltd**  
ABN 59 116 151 136

A handwritten signature in black ink, appearing to read 'N. S. Benbow'.

**N. S. Benbow**  
Director

Dated this 26<sup>th</sup> day of May, 2015