



APPENDIX 4E

PRELIMINARY FINAL REPORT

Name of Entity:	MOQ LIMITED (formerly MONTECH HOLDINGS LIMITED)
ABN:	94 050 240 330
Reporting period:	Financial year ended 30 June 2016
Previous corresponding period:	Financial year ended 30 June 2015



Results for Announcement to the Market

Set out below are the unaudited statutory results for MOQ Ltd (“MOQ” or the “Company”) and its controlled entities for the year ended 30 June 2016.

	FY 2016	FY 2015*	Movement %
Revenue from ordinary activities	33,934,350	3,116,635	989%
EBITDA	(546,546)	(992,228)	45%
Loss from ordinary activities after tax attributable to members	(528,406)	(17,330,125)	97%
Net loss/(profit) after tax attributable to members	(528,406)	(17,330,125)	97%
Interim dividend per share (fully franked)	n/a	n/a	-
Final dividend per share (fully franked)	n/a	n/a	-
Basic Earnings/(Loss) per share (cents per share)			
- Continuing operations	(0.46)	(4.8)	90%
- Discontinuing operations	-		N/A
Diluted Earnings/(Loss) per share (cents per share)			
- Continuing operations	(0.46)	(4.8)	90%
- Discontinuing operations	-		N/A
Net Tangible Asset Backing per share	0.0229	0.0016	1,331%

Dividend information

	Amount (cents per share)	Record Date	Payment Date
Interim dividend	n/a	n/a	n/a
Final dividend	n/a	n/a	n/a
The company does not have a dividend reinvestment plan.			

* Note that this includes one month's trading for MOQdigital Pty Ltd and Breeze Training Pty Ltd in the prior year (FY2015)



Commentary on operating results for the year

In accordance with MOQ's stated commitment to invest strategically on building out its business model, and capitalise on the emerging market for services and solutions in the Cloud centric ICT market over the next 3 to 5 years, FY16 has been a year where medium and long term investments have been a priority for the MOQ Board and Executive team.

These investments have included:

1. The merger and integration of Technology Effect and Breeze, rebranded and launched as MOQdigital.
2. The acquisition of TETRAN to bolster Managed Services capability and recurring revenue moving forward.
3. The acquisition of Skoolbag to grow the commercialised IP base of the business.
4. Strategic hires to build out capability and capacity in Sales, Delivery and M&A, particularly in the NSW region and also the emerging Business Intelligence and Data Analytics market.

In real terms, operating performance for the year was impacted by circa \$1,359,000 of non-recurring costs in MOQ. This consisted of \$400,000 of due diligence and acquisition costs, \$164,000 of integration costs, \$280,000 in one-off project write-downs, \$306,000 in restructuring costs, and a \$209,000 non-cash adjustment to long service leave provisions through adoption of a more conservative policy.

During the June quarter MOQ completed the acquisitions of TETRAN and Skoolbag and successfully completed a capital raising of \$9mil, in order to fund these acquisitions. The results presented incorporate Skoolbag and TETRAN results since 12th April 2016 and 23rd May 2016 respectively.

The positive impact of early FY16 investments commenced translating into earnings momentum in Q4FY16. Importantly, pipeline leading into Q1FY17 is very strong and positive cashflow is forecast for Q1 of FY17. Leverage from the mergers, in the form of potential new business, sourced from the enhanced offering MOQ is able to take to its clients, is clearly evident in the FY17 pipeline.

Additional information

Additional Appendix 4E disclosures can be found in the Notes accompanying the Statement of Profit or Loss and other comprehensive income and Statement of Financial Position.

This Appendix 4E is based on the 30 June 2016 financial report, which is in the process of being audited by Stantons International Audit and Consulting Pty Ltd (Stantons International).



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Continuing operations			
Revenue			
Revenue	3	33,934,350	3,116,635
Other income		222,646	373,746
Total Revenue		34,156,996	3,490,381
Cost of sales	4	(27,971,377)	(2,444,678)
Gross Profit		6,185,619	1,045,703
Expenses			
Depreciation expenses	4	(110,009)	(9,048)
Employee benefits	4	(4,414,010)	(823,290)
Legal costs	4	(33,978)	(233,843)
ASX and registry related expenses		(80,219)	(142,875)
Marketing expense		(308,205)	(68,492)
Occupancy expenses		(520,778)	(16,690)
Professional fees	4	(337,317)	(466,379)
Telecommunication carrier expenses		(141,439)	(22,182)
Other expenses		(896,219)	(264,180)
Total expenses		(6,842,174)	(2,046,979)
(Loss) from continuing operations before impairment		(656,555)	(1,001,276)
Impairment of Goodwill	5	-	(16,348,780)
Impairment of Intellectual Property	5	-	(63,636)
Impairment of Property, Plant and Equipment	5	-	(4,587)
(Loss) from continuing operations before income tax expense		(656,555)	(17,418,279)
Income tax credit		128,149	88,154
Loss from continuing operations after income tax		(528,406)	(17,330,125)
Discontinued operations			
Profit from discontinued operations after tax		-	-



Net profit attributable to members of the Company

-

-

Other comprehensive income for the year

Exchange differences on translating foreign subsidiaries

(6,198)

-

Total comprehensive (loss)/ income for the year

(534,604)

(17,330,125)



UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	6	3,078,326	2,722,299
Trade and other receivables	7	6,298,691	3,026,309
Work In Progress		220,676	146,845
Other assets		461,142	177,757
		<u>10,058,835</u>	<u>6,073,210</u>
Non Current Assets			
Deferred tax assets	8	785,674	267,165
Property plant and equipment		452,350	94,451
Intangibles		14,600,092	-
		<u>15,838,116</u>	<u>361,616</u>
Total assets		<u>25,896,951</u>	<u>6,434,826</u>
Current Liabilities			
Trade and other payables	9	5,225,086	3,692,872
Deferred revenue	10	2,029,235	294,569
Provisions	11	1,352,621	722,574
		<u>8,606,942</u>	<u>4,710,015</u>
Non - Current Liabilities			
Deferred revenue		-	14,325
Provisions		48,049	-
		<u>48,049</u>	<u>-</u>
Total Liabilities		<u>8,654,991</u>	<u>4,724,340</u>
Net Asset/ (Deficiency)		<u>17,241,960</u>	<u>1,710,486</u>
Equity			
Issued capital	12	49,365,752	33,285,143
Shares to be issued	12	-	8,333
Reserves		2,467	8,665
Accumulated losses		(32,126,259)	(31,591,655)
Total Equity		<u>17,241,960</u>	<u>1,710,486</u>



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital	Shares to be Issued	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance as at 1 July 2015	33,285,143	8,333	8,665	(31,591,655)	1,710,486
Net (loss) for the year	-	-	-	(528,406)	(528,406)
Other comprehensive income for the year	-	-	(6,198)	-	(6,198)
Total comprehensive loss for the year	-	-	-	(534,604)	(534,604)
Transactions with owners in their capacity as owners	-	-	-	-	-
Issue of share capital	14,013,133	-	-	-	14,013,133
Shares to be issued	2,500,000	(8,333)	-	-	2,491,667
Option Premium Reserve	-	-	-	-	-
Capital raising costs	(432,524)	-	-	-	(432,524)
Shares based payment reserve balance as at 30 June 2016	49,365,752	-	2,467	(32,126,259)	17,241,960
Balance as at 1 July 2014	13,636,115	-	6,790	(14,261,530)	(618,625)
Net profit (loss) for the year	-	-	-	(17,330,125)	(17,330,125)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(17,330,125)	(17,330,125)
Transactions with owners in their capacity as owners	-	-	-	-	-
Issue of share capital	19,782,456	-	-	-	19,782,456
Shares to be issued	-	8,333	-	-	8,333



Option Premium Reserve
Capital raising costs
Balance as at 30 June 2015

-	-	1,875	-	1,875
(133,428)	-	-	-	(133,428)
33,285,143	8,333	8,665	(31,591,655)	1,710,486

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 30 JUNE 2016**

	Notes	2016 \$	2015 \$
Cash flow from operating activities			
Receipts from customers		36,601,890	2,763,591
Payments to suppliers and employees		(38,186,980)	(4,208,480)
Interest received		7,055	27,543
Income taxes paid		(52,676)	346,702
Net cash (used in) by operating activities		(1,630,711)	(1,070,644)
Cash flow from investing activities			
Payment for property plant and equipment		(345,261)	(19,134)
Payment for deposits		(176,093)	
Cash on acquisition of controlled entities		925,816	
Acquisition of subsidiaries	13	(6,990,000)	(2,342,874)
Net cash (used in)/generated by investing activities		(6,585,538)	(2,362,008)
Cash flow from financing activities			
Proceeds from issue of shares		8,575,000	5,411,925
Share issued costs		(2,724)	(93,040)
Loans to related parties		-	(111,929)
Proceeds from related parties		-	90,000
Net cash provided by financing activities		8,572,276	5,296,956
Net increase in cash and cash equivalents		356,027	1,864,304
Cash and cash equivalents at beginning of year		2,722,299	857,995
Cash and cash equivalents at end of year		3,078,326	2,722,299



UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information presented in this Appendix 4E cover MOQ Limited (formerly Montech Holdings Limited) (“Company”, “MOQ” or “parent entity”) and its controlled entities as a consolidated entity (also referred to as “the Group”). MOQ Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity and is primarily involved in the information technology industry being the field of software and services.

The financial information presented in this Appendix 4E are currently in the process of being audited.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of this Appendix 4E. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the Appendix 4E

Statement of Compliance

This Appendix 4E has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law where possible (refer to note 1(b) below) to the extent relevant for the lodgement of the Appendix 4E under the ASX Listing rules.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial information comply with International Financial Reporting Standards (‘IFRS’).

It is recommended that this Appendix 4E be read in conjunction with the public announcements made by MOQ Limited during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The Appendix 4E has been prepared on the historical cost basis.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial information, a statement of financial position as at the beginning of the earliest comparative period will be disclosed. Refer to note 1(b) below regarding incomplete records and the potential impact on comparative figures.

(b) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial information.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

(d) Critical accounting estimates

The preparation of the financial information in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in 30 June 2014 annual report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Principles of consolidation

The consolidated financial information incorporates all of the assets, liabilities and results of the parent (MOQ Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial information of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(f) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an

active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(g) Income tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense or revenue for the year is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax asset and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Plant and equipment

Each class of plant and equipment is carried at cost less any applicable accumulated depreciation and any accumulated impairment losses.

Plant and equipment is measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.



The depreciated amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use.

The expected useful life of plant and equipment ranges from 3 to 15 years.

The assets' residual values and useful life are reviewed at the balances date. The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included net in profit or loss.

(i) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	2.5–5%
Plant and Equipment	13.33 – 66.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(j) Leases

At inception of an arrangement, the Group determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Leases reclassified at their inception as either operating or finance leases based on the economic substance of the arrangement so as to reflect the risks and benefits incidental to ownership.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Lease of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases. Finance lease are capitalised by recording an asset and a liability equal to the fair value of the leased property or the present value of the minimum lease payments including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Statement of Profit or Loss and Other Comprehensive Income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are recognised as an expense in the year in which they are incurred. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(k) Financial instruments

The Group initially recognises financial assets on the trade date at which the Group becomes a party to a contractual provision of the instrument.

Financial assets are initially measured at cost. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributed to the asset's acquisition. The Group subsequently measures financial assets at either amortised costs or fair value.

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- The asset is held with an objective to collect cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets other than those classified as financial assets measured at amortised costs are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payment and amortisation.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and financial liabilities are offset when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

(m) Impairments of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after the initial recognition

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

of the asset and that the loss event has a negative effect on the estimated future cash flows of that assets which can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

(n) Impairment of non-financial assets

Intangible assets are tested annually for impairment or more frequently if changes in circumstances indicate that they might be impaired.

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(o) Intangible assets

Software acquired as part of a business combination is recognised separately from goodwill. The software is carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which at present are 4 years.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax.

If the entity reacquires its own equity instruments, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs net of any taxes is recognised directly in equity.

(q) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, and annual leave, including non monetary benefits, 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 and are measured at the amounts expected to be paid when the liabilities are settled, on an undiscounted basis.

Liabilities for non accumulating sick leave are recognised when the leave is taken and measure at the rates paid or payable.



NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Long service leave

The liability for long service leave and annual leave which is not expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made for services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employments are terminated before the normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(s) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held on call with banks, other short term highly liquid investments with an original maturity date of three months or less held and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in Statement of Financial Position.

(t) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from services is recognised upon the delivery of the service to the customers.

Revenue from the sale of goods is recognised upon the delivery of goods to the customers.

Deferred revenue for maintenance contracts is recognised in equal amounts over the period for which support is to be provided to a customer, either quarterly or annually.

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

All revenue is stated net of the amount of goods and services tax (GST).

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

(w) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment

of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(x) Trade and other payables

Trade and other payables represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest. These amounts are unsecured and are usually settled within 30 days of recognition.



NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(y) Operating segments (Note 2)

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) to make financial and operational decisions and to allocate resources. We attribute sales to an operating segment based on the type of product or service provided to the customer.

We have identified three reportable segments, as follows:

- Technology Sales – provision of vendor hardware, software and associated licenses and maintenance contracts,
- Professional Services – provision of a range of specialist services including consulting, project management, systems and software engineering services to assist clients with strategy, architecture, design, development and implementation of ICT solutions.
- Recurring Services – a combination of managed services including operations, support and ICT management, as well as a range of in-house developed commercialized IP and Cloud (SAAS) based solutions.

The consolidated entity operates in one geographical segment being Australia. As a result, no additional geographical segment information has been provided.

(z) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.



NOTE 2: SEGMENT INFORMATION

The segment information provided to the Board of directors, for the reportable segments for the year ended 30 June 2016 (*Refer to note 1(y)*), is as follows:

30 June 2016	Recurring Services \$	Professional Services \$	Technology Sales \$	Unallocated \$	Total \$
Revenue from external customers	4,827,672	10,741,641	18,365,037	0	33,934,350
Other income	-	-	-	222,646	222,646
Total Reportable Segment results	1,778,251	963,751	3,220,971	(5,330,174)	(632,799)
Total segment assets	-	-	-	25,896,951	25,896,951
Total segment liabilities	-	-	-	8,654,991	8,654,991
<hr/>					
30 June 2015	Recurring Services \$	Professional Services \$	Technology Sales \$	Unallocated \$	Total \$
Revenue from external customers	236,777	940,877	1,928,516	10,465	3,116,63
Other income	-	-	-	373,746	373,746
Total Reportable Segment results	76,269	221,407	363,816	(18,079,771)	(17,418,279)
Total segment assets	279,017	1,298,215	1,176,428	3,681,166	6,434,826
Total segment liabilities	26,450	429,143	2,317,519	1,951,228	4,724,340

NOTE 3: REVENUE

	2016 \$	2015 \$
Revenue from services	33,934,350	3,116,635
Interest received	7,055	27,543
Other income	215,591	346,203
Total revenue	<u>34,156,996</u>	<u>3,490,381</u>

NOTE 4: OPERATING LOSS

Loss before income tax includes the following expenses:

(a) Cost of sales		
Technology	15,144,066	1,564,700
Recurring services	3,049,421	160,508
Professional services	9,777,890	719,470
(b) Depreciation – office equipment and software	110,009	9,048
(c) Employee benefits, other labour and related expenses		
Wages and salaries	2,869,523	214,274
Superannuation	283,170	36,611
Other employee benefits expenses	1,261,317	78,742
(d) Legal costs	33,978	233,843
(e) Professional fees		
Consultants fees	107,033	157,787
Compliance fees	230,284	183,105
Other fees	-	125,487

NOTE 5: IMPAIRMENTS

Impairment of Goodwill	-	16,348,780
Impairment of Intellectual Property	-	63,636
Impairment of Property, Plant and Equipment	-	4,587
Total Impairment*	<u>-</u>	<u>16,417,003</u>

*The acquisition of Tech Effect and Breeze were funded by a combination of cash payment and shares issued in Montech. Goodwill was recognised on acquisition, being the excess of the cost of acquisition over the net assets acquired. The Board has taken a conservative view and decided to impair goodwill in full at the financial year end. As such the 30 June 2015 consolidated financial year loss of comprises impairment of goodwill, intellectual property and plant and equipment totalling \$16,417,003.

NOTE 6: CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at bank	3,078,326	2,632,960
Term Deposit	-	89,339
	<u>3,078,326</u>	<u>2,722,299</u>

NOTE 7: TRADE AND OTHER RECEIVABLES

Trade receivables	5,696,244	2,606,815
Provision for doubtful debt	(206,112)	(3,200)
Current Tax Receivable	-	113,366
Other receivable	667,637	93,269
Accrued Revenue	140,922	216,059
	<u>6,298,691</u>	<u>3,026,309</u>

NOTE 8: DEFERRED TAX ASSETS

Deferred Tax Assets	<u>785,674</u>	<u>267,165</u>
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NOTE 9: TRADE AND OTHER PAYABLES

Trade creditors	2,716,459	2,494,566
Other payables and accrued expenses	2,508,627	1,198,306
	<u>5,225,086</u>	<u>3,692,872</u>

NOTE 10: OTHER LIABILITIES

Deferred revenue	2,029,235	294,569
	<u>2,029,235</u>	<u>294,569</u>

NOTE 11: PROVISIONS

Employee entitlements		
- Provision for Annual Leave	814,573	497,602
- Provision for Long Service Leave - current	538,048	224,972
	<u>1,352,621</u>	<u>722,574</u>
Employee entitlements		
- Provision for Long Service Leave – non current	48,049	
	<u>48,049</u>	

NOTE 12: ISSUED CAPITAL

(a)	Details of issue	Share Price \$	No. of Shares	Issue Value \$
Balance at the beginning of the year			1,073,671,213	33,285,143
Jul-15	Securities issued for exercise of options	0.01	833,333	8,333
Sep-15	Securities issued for exercise of options	0.01	2,499,999	25,000
Apr-16	Capital raising pursuant to the offer under the prospectus dated 24 March 2016	0.0275	161,454,545	4,440,000
May-16	Capital raising pursuant to the offer under the prospectus dated 24 March 2016	0.0275	165,818,182	4,560,000
May-16	Consideration shares for TETTRAN group of companies	0.035	142,857,144	5,000,000
May-16	Consolidation of shares on a 10:1 basis	-	(1,392,420,858)	-
Jun-16	Performance shares accrued Skoolbag*	0.04	-	1,500,000
Jun-16	Performance shares accrued TETTRAN**	0.035	-	1,000,000
	Capital raising costs			(452,724)
Total share capital			154,713,558	49,365,752

* Management have accrued for the achievement of some of the performance hurdles in FY16 and FY17, based on current available information and estimates for future performance.

** Management have accrued for the achievement of performance shares based on current available information, but performance is yet to be independently verified and amounts may vary.



NOTE 12: ISSUED CAPITAL (CONT.)

(b) As at 30 June 2016 the Company had the following unlisted options on issue:

ASX Code	Balance at 30/06/2015	Balance at 30/06/2016	Exercise price	Expiry
MOQOPT8	28,333,332 [†]	2,500,000	\$0.10	30/06/2017
MOQOPT6	166,667*	16,667	\$7.00	12/02/2017
MOQOPT7	166,667*	16,667	\$7.00	12/02/2018

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

NOTE 13: ACQUISITIONS OF TETRAN GROUP AND SKOOLBAG

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	Date of acquisition
		2016	
		%	
TETRAN Pty Ltd	Sydney, Australia	100	23 May 2016
TETRAN NZ Limited	New Zealand	100	23 May 2016
TETRAN (Singapore) Pte Limited	Singapore	100	23 May 2016
T.I.M. Asia Pacific (PVT) Limited	Sri Lanka	100	23 May 2016
iimage Technical Services Pty Ltd “Skoolbag”	Newcastle, Australia	100	12 April 2016

[†] Number of options prior to consolidation of shares on a 10:1 basis that occurred on 30th May 2016

NOTE 13: ACQUISITIONS OF TETRAN GROUP AND SKOOLBAG (CONT.)

On 3 March 2016, the Company announced that it had signed separate binding heads of agreements to acquire 100% of the issued capital in two businesses, TETRAN and Skoolbag, subject to a number of conditions precedent being satisfied.

On 12 April 2016, the Company announced that it had completed the acquisition of 100% of the shares in iimage Technical Services Pty Ltd “Skoolbag”.

On 23 May 2016, the Company announced that it had completed the acquisition of 100% of the shares in the TETRAN group of companies.

Details of the business combination are as follows:

	TETRAN	Skoolbag
Fair value of consideration for businesses acquired	\$	\$
Amount settled in cash and shares	10,900,000	3,987,869
Goodwill on acquisition	9,483,571	4,650,428

Acquisition costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

There is no deferred consideration.

NOTE 14: CONTINGENT ASSETS/LIABILITIES

The company notes that there may be a contingent liability in respect of working capital adjustment in relation to the TETRAN acquisition, as adjustment is subject to finalisation with vendors and may vary.

The company also notes that there may be a contingent liability in respect of the issue of shares related to performance hurdles in Skoolbag, subject to performance exceeding expectations.