MSL Solutions Limited and Controlled Entities
ACN 120 815 778

Consolidated Financial Statements

For the Half-Year Ended 31 December 2016

Contents

Directors' Report

The directors of MSL Solutions Limited present their report on the company and its controlled entities for the half-year ended 31 December 2016 and report as follows:

Directors

The names of the directors in office at any time during, or since the end of, the half-year are:

Mr Kenneth J Down	Non-Executive Chairman
Mr Ian M Daly	Non-Executive Director
Dr Richard W Holzgrefe	Non-Executive Director
Mr Craig G Kinross	Managing Director and Chief Executive officer
Mr David D Trude	Non-Executive Director (appointed 9 March 2017)
Kaylene J Gaffney	Non-Executive Director (appointed 1 March 2017)

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

Company Secretary

The name of the persons who held the position of company secretary at any time during, or since the end of, the half-year are:

Mr John H Barton; resigned 11 November 2016

Mr Peter Williams; appointed 11 November 2016.

Review of operations

The Group experienced an increase in both revenue and loss during the half year. Revenue for the half year was $9,220,589 (2015: $3,966,292) representing an increase of 132%. This was largely a result of the four strategic acquisitions that occurred in the second half of the previous financial year and the first half of the current financial year.

Consolidated loss after income tax for the half-year was $2,900,037 (2015: $1,366,069), which was an increase of 112% on the previous corresponding half-year. This was largely the result of the fair value movements on financial liabilities and the increased amortisation expenses from the acquisitions conducted in the previous 12-month period. Group management and the Board firmly believe that these acquisitions will provide ongoing benefits to the Group in terms of customer base and recurring revenue streams that outweighs the amortisation absorbed in the near future.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest dollar (unless otherwise stated).

Principal Activities

The principal activities of the Group during the financial year were the investment in development, sale and support of software in the provision of integrated solutions. The business has adopted the following segments:

- MPower Venue
- MPower Golf
- MPower Media
- MPower BI
- Corporate

There have been no significant changes to the Group's principle activities during the half-year.

Operating Results

The consolidated profit/(loss) before tax of the economic entity amounted to a loss of $3,905,663 (2015: loss $1,366,069). The consolidated profit/(loss) after providing for tax of the economic entity amounted to a loss of $2,900,037 (2015: loss $1,366,069). This includes depreciation and amortisation of $2,178,403 (2015: $722,787), foreign exchange loss of $378,995 (2015:$0), transaction costs of $1,470,267 (2015:$0), fair value movements expense of $795,629 (2015: $0) and fair value movement gain of $588,099 (2015:$0).

Significant Changes in State of Affairs

In accordance with our stated growth strategy of positioning MSL Solutions Limited to take its place in the capital markets in the current financial year, the Group was party to a number of transactions that further enhanced the current corporate investment structure.

Converting notes were issued in order to raise funds utilised by the Group in order to acquire Verteda Holdings Limited and C. Faergemann Holding APS. These notes will convert to equity upon a number of trigger events.

On 31 October 2016, MSL Solutions completed the acquisition of Verteda Holdings Limited, a provider of hardware, software and support to a number of premium clients that include Liverpool Football Club and Manchester United. This further enhances the Group's customer base and adds an important layer to the Group's technology offering to its current customers.

On 14 November 2016, MSL Solutions also completed the acquisition C. Faergemann Holding APS ("Golfbox"). Golfbox is a provider of software and support to a range of golf clubs and golf unions in Europe that were previously outside of the Groups customer base. This transaction has allowed the Group to fold these customers into the customer base and the directors believe that these customers and the Groups current customers can only be served better by the synergies created within the Group with this acquisition.

Auditor's Independence Declaration

The Auditor's Independence Declaration on page 4 forms part of the Directors' Report.

Signed in accordance with a resolution of the board of directors of MSL Solutions Limited.

C G Kinross
Director
Brisbane, 30 March 2017

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DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF MSL SOLUTIONS LIMITED

As lead auditor of MSL Solutions Limited for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MSL Solutions Limited and the entities it controlled during the period.

K L Colyer

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 30 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

	Note	Consolidated Dec 16 $	Dec 15 $
Revenue	4	9,220,589	3,966,292
Other income	4	590,959	75,069
Cost of Sales		(2,066,911)	(419,748)
Sales Expenses		(1,572,723)	(1,086,594)
Technical Services Expenses		(457,142)	(410,925)
Customer Services Expenses		(1,186,042)	(884,642)
Marketing Expenses		(525,284)	(373,605)
Iseekgolf Expenses		(503,865)	(324,829)
Research & Development expenses		(540,988)	(250,736)
General & Administration Expenses		(1,966,463)	(770,904)
Depreciation & Amortisation		(2,178,403)	(722,787)
Transaction Costs		(1,470,267)	-
Fair value movement on financial liability at fair value through profit and loss	13	(795,629)	-
Foreign exchange loss		(378,995)	-
Finance costs		(37,154)	(44,302)
Restructuring Costs		(36,345)	-
Share of loss of associates/joint ventures accounted for using the Equity Method		-	(118,358)
Loss before income tax		**(3,904,663)**	**(1,366,069)**
Income tax benefit		1,004,626	-
Loss for the period		**(2,900,037)**	**(1,366,069)**
Other comprehensive income			
Items that may be reclassified to profit or loss: Foreign Currency Translation Differences		73,678	-
Other Comprehensive Income For the Year, Net of Tax		73,678	-
Total comprehensive income/(loss) for the period		**(2,826,359)**	**(1,366,069)**

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the Half-Year Ended 31 December 2016

		Consolidated	
		Dec 16	Dec 15
	Note	$	$
Profit/(loss) attributable to:			
Owners of MSL Solutions Limited		(2,900,037)	(1,366,069)
		(2,900,037)	**(1,366,069)**
Total comprehensive income/(loss) for the period attributable to:			
Owners of MSL Solutions Limited		(2,826,359)	(1,366,069)
		(2,826,359)	**(1,366,069)**

Earnings per share for the loss attributable to the ordinary equity holders of the Company

	Consolidated	
	Dec 16	Dec 15
Earnings per share	$	$
Basic & diluted earnings per share	(0.02)	(0.02)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	Dec-16 $	Jun-16 $
ASSETS			
Current assets			
Cash and cash equivalents	5	1,542,053	2,749,129
Trade and other receivables		5,583,806	3,053,419
Assets classified as held for sale	7	2,257,501	2,257,501
Other Current assets		643,627	244,240
Total current assets		10,026,987	8,304,289
Non-current assets			
Receivables		887,752	887,902
Property, plant and equipment		810,195	236,887
Intangible assets	6	33,753,793	12,752,159
Other Non-Current assets		154,213	128,201
Deferred tax assets		1,186,904	169,340
Total non-current assets		36,792,857	14,174,489
Total assets		46,819,844	22,478,777
LIABILITIES			
Current liabilities			
Trade and other payables		7,404,988	4,725,174
Borrowings	8	17,912,220	306,752
Provisions	9	4,073,202	1,510,573
Deferred revenue		4,190,564	2,894,610
Total current liabilities		33,580,974	9,437,109
Non-current liabilities			
Trade and other payables		576,801	162,502
Provisions	9	2,018,733	860,979
Total non-current liabilities		2,595,534	1,023,481
Total liabilities		36,176,508	10,460,590
Net assets		10,643,336	12,018,188
EQUITY			
Contributed equity	10	23,080,034	21,628,527
Reserves		1,374,380	1,300,702
Accumulated losses		(13,811,078)	(10,911,041)
Total equity		10,643,336	12,018,188

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the Half-Year Ended 31 December 2016

	Contributed equity	Accumulated losses	Foreign Currency Translation Reserve	Change in proportionate interest reserve	Share-based payment reserve	Total equity
	$	$	$	$	$	$
CONSOLIDATED ENTITY						
Balance as at 1 July 2015	**15,294,477**	**(9,243,389)**	**-**	**1,066,627**	**150,000**	**7,267,715**
Total comprehensive income for the period						
Profit/(loss) for the period	-	(1,366,069)	-	-	-	(1,366,069)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**(1,366,069)**	**-**	**-**	**-**	**(1,366,069)**
Transactions with owners in their capacity as owners						-
At 31 December 2015	**15,294,477**	**(10,609,458)**	**-**	**1,066,627**	**150,000**	**5,901,646**
Balance as at 1 July 2016	**21,628,527**	**(10,911,041)**	**-**	**1,066,627**	**234,075**	**12,018,188**
Total comprehensive income for the period						
Profit/(loss) for the period	-	(2,900,037)	-	-	-	(2,900,037)
Foreign currency translation reserve differences	-	-	73,678	-	-	73,678
Total comprehensive income for the period	**-**	**(2,900,037)**	**73,678**	**-**	**-**	**(2,826,359)**
Transactions with owners in their capacity as owners						-
Contributions of equity, net of transaction costs	1,451,507	-	-	-	-	1,451,507
At 31 December 2016	**23,080,034**	**(13,811,078)**	**73,678**	**1,066,627**	**234,075**	**10,643,336**

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

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2016

	Dec-16	Dec-15
	$	$
Profit after Tax	**(2,900,037)**	**(1,366,069)**
Adjustments for:		
Depreciation & amortisation	2,178,403	722,787
Transaction costs expense in relation to converting notes	793,300	-
Interest Expense	-	44,302
Proportionate reserve	-	258,752
Fair value movements through Profit and Loss	795,629	-
Gain on reversal of earnout provision	(588,099)	-
	352,874	**(340,228)**
Change in operating assets (net of impact from purchase of controlled entities):		
(Increase)/decrease in trade receivables	(182,299)	1,007,839
(Increase)/decrease in other debtors	(704,385)	(79,005)
(increase)/decrease in prepayments	(116,454)	-
(Increase)/decrease in bonds	(26,012)	(33,263)
Increase/(decrease) in trade and other payables	43,505	475
Increase/(decrease) in deferred revenue	(218,870)	129,086
(Increase)/decrease in deferred tax asset	(1,017,564)	-
(Increase)/decrease in accrued income	-	(126,000)
Net cash inflow/(outflow) from operating activities	**(1,869,205)**	**558,904**
Cashflow from investing activities		
Payments for the purchase of property plant and equipment	(47,560)	(683,231)
Payments for the purchase of intangibles	(1,541,820)	
Deferred acquistition payment - InfoGenesis	(50,000)	-
Deferred acquistition payment - Rockit	(37,500)	-
Acquistion of Verteda net of cash acquired	(9,810,861)	-
Acquistion of GolfBox net of cash acquired	(5,003,235)	-
Net cash inflow/(outflow) from Investing Activities	**(16,490,976)**	**(683,231)**

Consolidated Statement of Cash Flows (continued)

For the Half-Year Ended 31 December 2016

	Dec-16	Dec-15
	$	$
Cash flows from financing activities		
Proceeds from issue of shares	974,431	(322)
Repayment of related party loans	-	268,182
Repyament of finance leases	(28,976)	-
Bank loan paid	-	(291,040)
Transaction costs on issuance of share capital	(22,993)	-
Payment of transaction costs relating to converting notes	(793,300)	-
Proceeds from Converting Notes	17,000,000	-
Net cash inflow/(outlfow) from Financing Activities	**17,129,162**	**(23,181)**
Net cash flows for the period	**(1,231,019)**	**(147,508)**
Cash at beginning of year	**2,633,999**	**544,639**
Cash at end	**1,402,980**	**397,131**

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

Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2016

1 Statement of Significant Accounting Policies

Corporate Information

The consolidated financial statements of MSL Solutions Limited and is subsidiaries (collectively, the Group) for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 30 March 2017.

MSL Solutions Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are privately owned. The principal activities of the Group during the financial year were the investment in development, sale and support of software in the provision of integrated solutions for membership organisations.

MSL Solutions Limited is a for-profit entity for the purposes of preparing these financial statements.

The financial statements are presented in the Australian currency.

Basis of Preparation

The consolidated financial statements for the half-year ended 31 December 2016 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2016.

The Accounting Policies and methods of computation applied by the Group in the Consolidated Financial Statements are the same as those applied by the Consolidated entity in its consolidated financial statements as at and for the year ended 30 June 2016, unless otherwise disclosed below.

Consolidated Statement of Cashflows

From 1 July 2016, the statement of cash flows was prepared using the Indirect cash flow method. It was decided by management that this method would better illustrate the impact of non-cash items on EBITDA.

Going concern assumption

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

As at 31 December 2016 the consolidated entity's current liabilities exceeded its current assets by $23,553,987 and for the period ended 31 December 2016 has incurred a loss after tax of $2,900,037 and net cash outflows from operations of $1,869,205.

The Directors of the company believe the going concern basis remains appropriate after considering the following mitigating factors:

- The company is currently in the process of preparing the company for an Initial Public Offering and is expecting to secure additional funding of approximately $15 million in share capital. This capital raise has been fully underwritten by Baillieu Holst Limited. The directors are confident that the offering will complete in May 2017.
- Included in current liabilities are convertible notes with a fair value of $17,554,500. These converting notes are to be automatically converted on a public offering of shares.
- Included in current liabilities is $3,921,779 in relation to earnout provisions. Included in this amount is $300,792 to be settled by issuing shares; $500,000 of this amount has been paid since year end and the remaining balance of $3,177,263 is contingent on future earnout targets.
- Included in current liabilities is the balance of $4,190,564 for deferred income. The amount will be recognised as income over the next year and not payable by cash.
- The company has had a history of being able to raise capital from the market if required. The last major capital raising occurred in November 2016 for $17,000,000 of converting notes.
- Included in the net loss of $2,900,037 were transaction costs of $1,470,267 relating to the business combinations and converting notes issued during the period and non-cash items of $795,629 in relation to fair value loss adjustments and $2,178,403 of depreciation and amortisation and $378,995 of foreign exchange losses.
- The consolidated entity is forecasting further improvements to performance and cashflows as a result of the acquisitions of Verteda and Golf Box and therefore take advantage of a wider network to generate growth.
- Included in current assets with a carrying amount of $2,257,501 is an investment in Zuuse Pty Ltd and is classified as held for sale. The carrying amount is based on 6 cents per share in comparison to prior sales completed at 7.5 cents per share. The directors are confident that the asset will be realised at a price equal or higher than its carrying amount.

a) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and bank overdrafts, converting notes, lease liabilities and related party loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss and financial derivatives.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied.

The Group has designated the following financial liabilities at fair value through profit or loss:

- Converting Notes
- Contingent Consideration (earnout provisions)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income

This category generally applies to related party loans and lease liabilities.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

b) Fair value

The Group measures financial instruments such as contingent consideration and converting notes at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principle or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement;

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

External valuers are involved for valuation of significant liabilities, such as converting notes. Involvement of external valuers is on a case by case basis after discussion with and approval by the Groups' Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

c) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method

I. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit and loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Other Comprehensive Income (OCI).

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

II. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates averaged over the reporting period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisitions of a foreign operation and any fair value adjustments to the carrying amounts of assets or liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

d) Significant changes in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 31 December 2016:

Business Combinations

The company has entered into two significant business combinations in the half-year period, acquiring Verteda Holdings Limited and C. Faergemann Holding APS. Refer to Note 12 for details.

These acquisitions have significantly impacted both the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position, with the financial position and performance of these two new companies being added to the consolidated group for the first time.

Borrowings

$17,000,000 of converting notes have been issued in this half-year. Refer to Note 8 for details.

Trade and other payables

Trade and other payables have increased significantly from June 2016, primarily due to the two business combinations in the period. At December 2016, $2,593,066 of deferred considerations in relation to these two acquisitions remain payable.

Provisions

Provisions have increased significantly from June 2016, primarily due to the two business combinations in the period. Refer to Note 9 for details.

Deferred tax assets

The deferred tax asset primarily relates to capital raising costs not immediately deductible for tax, the movement in intangible assets balances (contracts and customer relationships) and historic tax losses.

Income tax expense

An income tax benefit has been recognised for the period, which primarily relates to the accounting loss before tax and permanent differences relating to the R&D concession claim.

Depreciation and amortisation expense

Since December 2015, there have been a total of four business combinations, two in the second half of the 2016 financial year and two in this half-year period. This has resulted in a significant increase in intangible assets over the previous 12 months, which has resulted in the significant increase in amortisation expense. Refer to Note 6 for details.

Transactions costs

Transaction costs of $1,470,267 have been incurred during the half-year. $793,300 of this balance relate to the issue of the converting notes in the period, with the remainder relating to the business combinations (refer to Note 12 for details).

Foreign exchange losses

Both of the companies acquired in the period are foreign entities, with the deferred and contingent purchase considerations in the purchase agreements being denominated in their local currency. There have therefore been foreign exchange gains/losses recognised from the retranslation of period end deferred and contingent liabilities**.**

2 Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic date, obtained both externally and within the Group.

Key estimates – Impairment of Intangibles

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may that may be indicative of impairment triggers. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value- in-use calculations performed in assessing recoverable amounts incorporate a number of key assumptions, detailed as follows:

- Revenue growth rates between 7.5% and 16% for the Group, current establishment cost run rates with growth at 5%
- Perpetuity growth rate of 0% and 2.5% for the Group
- Discount Rate between 12% and 17% for Group

Key estimates – Fair Value of Intangible Assets on Acquisition

The identifiable intangible assets acquired as part of the Verteda Holdings Limited acquisition were:

- Contracts and Customers Relationships $11,802,078
- Contracts and Customers Relationships are made up of components of customer contracts, software - Agilysys and Verteda IP.
- Key inputs for this calculation were budgeted revenue from existing contracts for a period of 5 years and any associated costs. A contributing asset charge of £89,030pa (AUD$142,763pa) has been included for the required return for Verteda Software, net working capital, property plant and equipment and assembled workforce.
- A discount rate of 13% has been applied to these contracts.
- Key inputs for the software - Agilysys calculation were budgeted revenue based on previous years annualised sales and associated costs. A contributing asset charge of £48,369pa (AUD$77,562pa) has been included for the required return for net working capital, property plant and equipment and assembled workforce
- A discount rate of 17% has been applied to these software sales.

- Key inputs for the Verteda IP calculation were budgeted revenue based on previous years annualised sales and associated costs. A contributing asset charge of £51,557pa has been included for the required return for net working capital, property plant and equipment and assembled workforce

- A discount rate of 17% has been applied to these software sales.

The identifiable intangible assets acquired as part of the Golfbox Pty Ltd acquisition were:

- Contracts and Customers Relationships $8,196,356

- Contracts and Customers Relationships is made up of components of customer contracts and Golfbox IP.

- Key inputs for this calculation were budgeted revenue from existing contracts for a period of 5 years and any associated costs. A contributing asset charge of kr93,373pa has been included for the required return for, net working capital, Golfbox IP and equipment and assembled workforce.

- A discount rate of 13% has been applied to these contracts.

- Key inputs for the Golfbox IP calculation were budgeted revenue from based on previous years annualised sales and associated costs A contributing asset charge of kr35,259pa has been included for the required return for net working capital, property plant and equipment and assembled workforce

- A discount rate of 17% has been applied to these software sales.

Key estimates and judgements – Converting notes

The Group engaged an independent expert to conduct an independent valuation of the fair value of 3,400 Converting Notes (raising $17.00m @ $5,000 per note) that was issued by the Group in the 6-month period ending 31 December 2016. The key inputs for this calculation were as follows:

- The term of the notes – being 12 months after the issue date. However, if the Group does not anticipate an IPO (raising at least $10m) will be complete within 12 months, then the Group may elect to extend the original term by a further 12 months.
- If an IPO is unlikely to occur within 12 months and the Group does extend the term, Noteholders may elect to redeem the Notes or convert to ordinary shares.
- Interest is charged at 10% per annum every 6 months after the issue date for a period up to 1 year. Thereafter, interest is charge at 15% per annum.
- Conversion and Conversion price – in the event of an IPO conversion in with the original term of the Notes, the Notes will convert with a 20% discount to the issue price of the shares. If the Notes convert after the Original Term, the Notes will convert with a 30% discount to the issue price of the shares.
- Based on several paths that a Noteholder could follow based on the terms of the Note and timing of an IPO a probability has been assigned to each of the paths.
- The fair value has then been calculated using the probability weighted expectations of each path.
- The below table illustrates the estimated probabilities of these paths at 31 December 2016:

Path	Probability at 31 Dec 16
Path 1: IPO Apr-17	90%
Path 2: IPO Nov-17	3%
Path 3: IPO Apr-18	1%
Path 4: IPO Nov-18	1%
Path 5: Redemptions Nov-17	1%
Path 6: Convert Nov-17	1%
Path 7: Extended Redemption Nov-18	1%
Path 8: Extended Conversion Nov-18	1%
Path 9: Convert Nov-19	1%

- As the converting notes fail the fixed-for-fixed test, the company has elected to account for the entire liability at fair value through the profit or loss.
- The difference between the transaction price and the fair value at initial recognition is deferred and brought to account over the 12-month maturity period of the converting notes from 7 November 2016.

Key estimates and judgements – Useful life of intangible assets

Intangible assets created on acquisition have been judged to have a useful life of either 60 months from completion date of the acquisition or, if defined contracts with defined end dates, the date the contract expires. In some instances, contracts have a clause detailing rolling dates and periods. In the cases of contracts without these clauses, end dates of these contracts have been assumed to expire 60 months after the completion date of acquisition which is in line with the period over which the discounted cashflows have been measured.

Key estimates – Fair Value of shares issued as part of consideration for acquisitions

Shares issued as part of acquisitions for the half-year period ending 31 December 2016 were issued at $0.22. This price was determined after a share sale to Mr Adrian Burns and Mr Trevor Roberts was completed at the price of $0.22 on 27 October 2016. The share price was negotiated as part of the acquisition of Golfbox between two sophisticated parties that were willing participants in the transaction and as such management believe this price was appropriate for this transaction.

This fair value of shares of $0.22 has also been applied to the remaining contingent consideration of shares at the period end relating to historic acquisition of Rockit Pty Ltd.

Key estimates and judgements – Marketown Earnout provision reversal

As part of the Marketown Media acquisition a provision was made in financial year ending 30 June 2015 for an earnout provision based on the Boards expectations of financial year 30 June 2017 EBITDA for Marketown Media. This target is no longer expected to be achieved and as such an amount of $588,099 has been released back as gain on reversal of earnout provision that appears in Other Income, refer to Note 4.

3 Segment information

The following tables present revenue and adjusted EBITDA information for the Group's operating segments for the half-year ended 31 December 2016 and 2015, respectively:

Half-year ended 31 December 2016	**MPower Venue**	**MPower Golf**	**MPower Media**	**MPower BI**	**Corporate**	**Total segments**
External customer	6,350,542	2,817,343	163,028	151,216	354,507	9,836,636
Inter-segment	-	-	-	-	-	-
Total Revenue	6,350,542	2,817,343	163,028	151,216	354,507	9,836,636
Results						
Adjusted EBITDA	973,881	586,865	(101,128)	(213,703)	(997,547)	248,368

Half-year ended 31 December 2015	**MPower Venue**	**MPower Golf**	**MPower Media**	**MPower BI**	**Corporate**	**Total segments**
External customer	2,624,441	1,263,348	78,503	-	-	3,966,292
Inter-segment	-	-	-	-	-	-
Total Revenue	2,624,441	1,263,348	78,503	-	-	3,966,292
Results						
Adjusted EBITDA	66,610	(29,216)	(147,250)	-	(493,032)	(602,887)

Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, foreign currency gains/(losses) and transaction costs.

Segments

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The Board of Directors monitor the business have identified 5 reportable segments, based on the type of customer serviced and products sold to those customer bases. Detailed below are the customers bases and product offerings for each segment:

- MPower Venue – Hardware, Software as a service and customer support product offerings to clients in the stadium, private club and marina industries

- MPower Golf – Hardware, Software as a service and customer support product offerings to clients in the golf club, golf associations and golf regulatory industry.

- MPower Media – Media, Marketing and Software as a service product offerings to clients from all industries for marketing in on MPower platforms.

- MPower BI – Business analytics for all clients across the MPower platforms.

- Corporate – the administrative and global corporate governance function performed for all MPower platforms and segments.

The above segments combine international operations with Australian domestic operations as management reports and makes business relating to products and service as a segment no matter where the operations are conducted.

A reconciliation of adjusted EBITDA to profit/(loss) before income tax is as follows:

	Dec-16	**Dec-15**
Total segment adjusted EBITDA	248,368	(602,887)
Foreign exchange losses	(378,995)	-
Depreciation and amortisation	(2,178,403)	(722,787)
Finance costs	(37,154)	(44,302)
Transaction costs	(1,470,267)	-
Restructuring costs	(36,345)	-
Fair value movement on financial liability at fair value through profit and loss	(795,629)	-
Fair value gain on earnout provision	588,099	-
Intersegment eliminations	155,663	3,907
Profit/(loss) beore income tax	**(3,904,663)**	**(1,366,069)**

A reconciliation of between segment revenue and revenue from continuing operations:

	Dec-16	**Dec-15**
Total segment revenue	9,836,636	3,966,292
R&D incentive accrual	(299,965)	-
Mpower BI revenue elimination	151,216	-
Fair value gain on earnout provision	(588,099)	-
Classification differences from management reports to statutory accounts	120,801	-
Consolidated Revenue	**9,220,589**	**3,966,292**

4 Revenue and other income

	Consolidated	
	Dec-16	Dec-15
	$	$
Revenue from Operating Activities		
Booking Fees	146,963	147,808
Customer contracts annuities	4,327,375	1,918,521
System Installations	1,025,350	312,269
Software Fees and Royalties	789,714	148,371
Hardware Fees	1,475,680	301,218
Subscription annuities	528,611	399,886
Advertising	891,719	727,193
Other	35,177	11,026
	9,220,589	**3,966,292**
Other Income		
Gain on sale of an asset	-	5,000
Fair value gain on earnout provision	588,099	-
Settlement of professional matters	2,850	70,000
Interest	10	69
	590,959	**75,069**

5 Cash and Cash Equivalents

	Consolidated	
	31-Dec-16	**30-Jun-16**
	$	**$**
Cash on hand	302	302
Cash at bank	1,541,751	2,748,827
	1,542,053	**2,749,129**

Reconciliation of cash

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:	**31-Dec-16**	**31-Dec-15**
Cash and cash equivalents	1,542,053	521,566
Bank overdraft	(139,073)	(124,434)
	1,402,980	**397,132**

6 Intangible Assets

	Consolidated	
	31 Dec 16	**30 Jun 16**
	$	**$**
Goodwill		
At cost	4,223,688	1,223,000
Computer Software, other		
At cost	5,311,469	5,207,883
Accumulated amortisation	(2,866,268)	(2,173,660)
	2,445,201	**3,034,223**
Other		
At cost	**2,166**	**2,166**
Contracts and Customer Relationships		
At cost	30,068,708	10,070,273
Accumulated amortisation	(2,985,970)	(1,577,504)
	27,082,738	**8,492,770**
Total intangible assets	**33,753,793**	**12,752,159**

Movements in Carrying Amounts

	Software	Goodwill	Other	Contracts and Customer Relationships	**Total Intangibles**
Opening Balance	3,034,223	1,223,000	2,166	8,492,770	12,752,159
Additions	106,565	-	-	-	106,565
Acquistions through business combinations - Verteda	-	1,431,023	-	11,802,078	13,233,101
Acquistions through business combinations - Golfbox	-	1,569,665	-	8,196,356	9,766,021
Disposals	-	-	-	-	-
Amortisation	(695,587)	-	-	(1,408,466)	(2,104,053)
Closing Balance	**2,445,201**	**4,223,688**	**2,166**	**27,082,738**	**33,753,793**

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss. Goodwill has an indefinite useful life.

Goodwill has been allocated to the cash generating unit from which it arose. The recoverable amount of these cash generating units are based on value in use calculations. Value in use is calculated based on the present value of cash flow projections a 5-year period with an annual growth rate of 3%, the discount rate applied ranges between 12 and 17%. Revenue is forecast to increase 3% in financial year 2017.

7 Assets held for sale

	Consolidated	
	31-Dec-16	**30-Jun-16**
	$	**$**
Equity securities in Zuuse Pty Ltd	**2,257,501**	**2,257,501**

In September 2015, the Group started to take action with a view to sell its entire interest in Zuuse Pty Ltd. As part of the sale program, the board have reviewed the budget and actuals of Zuuse and have agreed that a valuation of the company should be performed prior to the full sale of shares in order to maximise value. Prior to the valuation being completed any partial sale will be considered and executed.

MSL is continuing with an active plan to sell its shares in Zuuse (with ongoing communications with interested investors), a sale price that is reasonable and has been determined based on previous sale transactions within the year. Based on this, MSL believes that it meets the *Held for Sale* classification.

As there has been no movement of share price in the past 6 months nor has there been movement in the shares held, the value that existed at 30 June 2016 remains the same (prior sales have been completed at 7.5c per share whilst our carrying value is at 6c per share).

It is therefore the position of the MSL Solutions board that the shareholding in Zuuse is an asset held for sale.

8 Borrowings

	Consolidated	
	31-Dec-16	30-Jun-16
	$	$
Current		
Unsecured		
Converting notes	17,554,500	-
Loan Related party - unsecured	171,206	171,206
	17,725,706	**171,206**
Secured		
Bank Overdraft - secured	139,073	115,129
Lease liabilities - secured	47,441	20,417
Total secured current borrowings	**186,514**	**135,546**
Total current borrowings	**17,912,220**	**306,752**

The related party loans are unsecured and are subject to a loan agreement signed by both parties.

Bank overdraft security is made up of a $10,000 security deposit taken out by Marketown Media Pty Ltd prior to acquisition. This security deposit remains in place.

During the six months ending 31 December 2016 the Group issued converting notes which due to their nature are financial liabilities. Under the Converting Note Deed Poll (CND) issued by MSL Solutions, in the event of trigger events, the converting notes must be converted to shares in MSL Solutions upon a number of trigger events.

The trigger events are detailed as being an IPO Conversion Event. The conversion features have been assessed, again on a stand-alone basis – the equity conversion can only be settled through the issue of equity shares, there is an obligation to issue a variable number of shares which will be determined by the conversion price. The conversion price is set as the initial listing price with a 20% discount if the trigger event occurs before the original maturity date or with a 30% discount if the trigger event occurs after the maturity date. The maturity date is 7 November 2017.

The converting notes are only redeemable in the following circumstances:

- If the Company has not undergone an IPO after 12 months and does not exercise its right to extend the maturity date by up to 12 months
- If a Change of Control affects the Company
- If an Event of Default occurs.

9 Provisions

	Consolidated	
	31-Dec-16	30-Jun-16
	$	$
Current		
Long Service Leave	151,423	130,924
Earnout provision	3,921,779	1,379,649
	4,073,202	**1,510,573**
Non-Current		
Long service leave	242,178	227,529
Earnout Provision	1,776,555	633,450
	2,018,733	**860,979**

The current year earnout provision is comprised of the value of the earnouts for Verteda Limited, Golfbox, InfoGenesis Pty Ltd and Rockit Pty Ltd. Further information and performance conditions regarding the earnout provision can be found in Note 12 – *Business Combinations*. During the year $588,099 of the earnout provision for Marketown Media was released as performance targets for the 2017 financial year are not expected to be met. The below table reconciles the movement in this provision:

	Earnout provision $
Balance at 1 July 2016	2,013,099
Fair value loss	241,129
Fair value gain	(588,099)
Verteda Acquistion	2,048,526
Golfbox Acquistion	1,671,560
Foreign Exchange Movement	312,119
Balance at 31 December 2016	5,698,334
Current	3,921,779
Non-current	1,776,555
	5,698,334

Marketown Media Earnout

As part of the Marketown Media acquisition a provision was made in financial year ending 30 June 2015 for an earnout provision based on the boards expectations of financial year 30 June 2017 EBITDA for Marketown Media. As at 31 December 2016, based on revised estimated EBITDA for Financial Year 30 June 2017 this target is no longer expected to be met. As such an amount of $588,099 has been released back as fair value gain on earnout provision that appears in Other Income (refer to Note 4).

10 Contributed Equity

	Consolidated		Consolidated	
	Dec-16 Shares	Dec-16 $	Jun-16 Shares	Jun-16 $
Share capital				
Fully paid	129,781,758	23,080,034	122,793,561	21,628,527
	129,781,758	23,080,034	122,793,561	21,628,527

Date	Details	Number of shares	Issue price	$
30 June 2016	Opening Balance	122,793,561		21,628,527
24 July 2016	Shares issued via capital raising	967,742	0.155	150,000
27 October 2016	Shares issued to owners of Verteda	3,747,728	0.22	824,500
14 November 2016	Shares issued as part of acquistion of Golfbox	2,272,727	0.22	500,000
	Less: transaction costs arising on shares issued			(22,993)
31 December 2016	Closing Balance	129,781,758		23,080,034

11 Controlled Entities

Name	Country of incorporation	Equity holding ** Dec 16 %	Jun 16 %
Parent Entity:			
MSL Solutions Limited	Australia		
Subsidiaries of parent entity:			
Micropower Pty Ltd	Australia	100%	100%
Artra South Pty Ltd	Australia	50%	50%
iseekgolf Pty Ltd	Australia	100%	100%
Simbient GolfLink Pty Limited	Australia	100%	100%
GolfLink Partners Pty Limited	Australia	100%	100%
GolfTime International Pty Ltd	Australia	100%	100%
MarkeTown Media Pty Ltd	Australia	100%	100%
Rockit Pty Ltd	Australia	100%	100%
Infogenesis Pty Limited	Australia	100%	100%
Golf Group International	Australia	100%	100%
Verteda Holdings Limited	England	100%	0%
C. Faergemann Holding APS	Denmark	100%	0%

** the proportion of ownership interest is equal to the proportion of voting power held.

12 Business Combinations

Acquisition of Verteda Holdings Limited

On 31 October 2016 MSL Solutions Limited acquired 100% of the issued capital in Verteda Holdings Limited ("Verteda") which operates in the stadiums and club's industry in the United Kingdom. The acquisition of Verteda is part of the ongoing strategy to advance the Group's market position and like previous purchase of Verteda's sister company InfoGenesis Pty Ltd in financial year ending 30 June 2016, is being supported by long-term contracts and an expanded customer base which will provide further revenues to the Group.

Summary of Acquired Net Assets - Provisional Amounts	**(£) GBP**	**($) AUD**
Cash & Equivalents	1,131,761	1,814,827
Trade Debtors	915,614	1,468,226
Property Plant and Equipment	339,310	544,099
Accrued Revenue	45,320	72,673
Prepayments	138,809	222,586
Intangibles - Contracts and Customer Relationships	7,360,000	11,802,078
Trade Creditors	(809,357)	(1,297,838)
Income in Advance	(695,791)	(1,115,731)
Other	(1,650)	(2,646)
Other payables	(388,886)	(623,596)
Fair value of net assets acquired	8,035,131	12,884,678
Purchase Consideration		
Cash Paid	6,500,000	10,423,031
Deferred Cash payable	400,000	641,417
Contingent consideration - Cash	1,277,500	2,048,526
NTA Payment	750,000	1,202,657
Payment for C Class Shares	43	70
	8,927,543	14,315,701
Goodwill	892,412	1,431,023

Goodwill arising from the purchase has been recognised as an intangible in Note 6 – Intangible Assets. Goodwill relates to the unidentifiable assets of Verteda Holdings Limited that existed at the date of acquisition.

The consideration paid to acquire Verteda Holdings Limited includes £8,927,543 in cash made up of the following:

- £6,500,000 upon completion, paid on 3 November 2016;
- £750,000 upon determination of net tangible assets, paid on 16 December 2016;
- £400,000 deferred acquisition payments; and
- £1,277,500 holdback EBITDA target payments

The deferred payment of £400,000 is to be paid in two installments of £200,000. The first is due 6-month anniversary after completion (30 April 2017) and the remaining £200,000 to be paid on the anniversary of completion (31 October 2017).

The holdback EBITDA target payments are to be calculated on the consolidated profit and loss statement of Verteda for the financial year ending 31 March 2017 which must be audited by an auditor approved by MSL Solutions. Once the finalised EBITDA statements are agreed upon, the EBITDA target payments are to be paid within 20 business days.

The fair value of the contingent consideration was £1,277,500 and was estimated using the “income approach”. The acquiree’s net revenue expectations were used to determine the undiscounted amounts of contingent consideration to which a likelihood of achievement was applied. As at 31 December 2016, £1,277,500 has been accounted for as a current liability as this payment will be due and payable within twelve months. See note 9 for further information.

The directors believe the receivables are fully recoverable and no provision for impairment is required.

The accounting standards permit acquisition accounting to be finalised within a 12-month period from the date of acquisition. As a consequence of being a foreign entity, MSL has yet to calculate the deferred tax in relation to this acquisition.

Revenue of Verteda Holdings Limited included in the Group revenue since the acquisition date 31 October 2016 amounted to $1,492,269AUD. The original currency of pounds’ sterling has been converted to the functional currency of the Group at 31 December 2016 as per the Groups accounting policy detailed in Note 1. Losses of Verteda Holdings Limited included in the Group profit since the acquisition date amounted to $236,826 including amortisation of the acquired Contracts and Customer Relationships.

Had the results of Verteda Holdings Limited been consolidated from 1 July 2016, revenue of the Group would have been $13,289,292AUD and the Group losses would have been $2,030,828AUD for the six months ending 31 December 2016. Profit and loss figures have been converted from operational currency to the Groups functional currency as at 31 December in accordance with the conversion policy detailed in Note 1.

Acquisition-related costs

Acquisition-related costs of $241,625 are included in ‘transaction costs’ in profit or loss.

Contingent considerations

On acquisition date, the fair value of the contingent consideration of $2,048,526 was calculated using the ‘income approach’ as detailed above.

As at 31 December 2016, other than foreign exchange movements, there was no change to the fair value of the contingent consideration.

Acquired receivables

The fair value of trade and other receivables on acquisition is deemed to be equal to the gross contractual amounts, with the expectation that all receivables are recoverable in full.

Acquisition of C. Faergemann Holding APS ("Golfbox")

On 14 November 2016 MSL Solutions acquired 100% of the issued share capital of C. Faergemann Holding APS ("Golfbox") which operates in the golf management software industry in Europe. The acquisition of Golfbox is part of the ongoing strategy to advance the Group's market position and product offerings. Golfbox is being supported by long-term contracts and an expanded customer base which will provide further revenues to the Group.

Summary of Acquired Net Assets - Provisional Amounts

	(kr) DKK	($) AUD
Cash & Equivalents	2,210,843	428,085
Trade Debtors	530,154	102,654
Other	311,661	60,347
Intangibles - Contracts and Customer Relationships	42,330,000	8,196,356
Trade Creditors	(280,709)	(54,354)
Deferred Revenue	(2,061,114)	(399,093)
Other payables	(1,682,355)	(325,754)
Fair value of net assets acquired	41,358,480	8,008,241
Purchase Consideration		
Cash Paid	28,050,000	5,431,320
Contingent consideration - Cash	9,175,000	1,770,311
Deferred cash payable	10,200,000	1,975,026
NTA Payment/(Discount) - Deferred	(510,000)	(98,751)
Shares Issued	2,550,000	500,000
	49,465,000	9,577,906
Goodwill	8,106,520	1,569,665

Goodwill arising from the purchase has been recognised as an intangible in Note 6 – Intangible Assets. Goodwill relates to the unidentifiable assets of Golfbox that existed at the date of acquisition.

The consideration paid to acquire Golfbox includes kr49,465,000 in cash and shares made up of the following:

- kr28,050,000 cash paid upon completion 14 November 2016;
- kr5,100,000 deferred cash payment to be paid on the anniversary of completion
- kr9,175,000 holdback EBITDA payment to be paid on Danish financial year 2017 and financial year 2018 figures.
- kr5,100,000 deferred cash payment to be paid 50% on first anniversary of completion and 50% on second anniversary of completion.
- kr510,000 is currently in negotiation for the net tangible asset position as at 1 November 2016. This amount will be deducted from the deferred payment due on the anniversary of completion
- A total of 2,272,727 shares have been issued at fair value of $0.22AUD to C. Faergemann.

The accounting standards permit acquisition accounting to be finalised within a 12-month period from the date of acquisition. As a consequence of being a foreign entity, MSL has yet to calculate the deferred tax in relation to this acquisition.

The directors believe the receivables are fully recoverable and no provision for impairment is required. The trade and other receivables are measured at fair value at the time of acquisition.

Revenue of Golfbox included in the Group revenue since the acquisition date 14 November 2016 amounted to $329,593. The original currency of Danish krone has been converted to the functional currency of the Group at 31 December 2016 as per the Groups accounting policy detailed in Note 2. Losses of Golfbox included in the Group profit/(loss) since the acquisition date amounted to $216,066 including amortisation of the acquired Contracts and Customer Relationships.

Had the results of Golfbox been consolidated from 1 July 2016, revenue of the Group would have been $11,130,524AUD and the Group loss would have been $2,670,593 for the six months ending 31 December 2016, including amortization of the asset created on acquisition. Profit and loss figures have been converted from operational currency to the Groups functional currency as at 31 December in accordance with the conversion policy detailed in Note 1.

Acquisition-related costs

Acquisition-related costs of $121,851 are included in ‘transaction costs’ in profit or loss.

Contingent considerations

On acquisition date, the fair value of the contingent consideration of $1,770,311 was calculated using the ‘income approach’, based on the acquiree’s earnings expectations.

As at 31 December 2016, other than foreign exchange movements, there was no change to the fair value of the contingent consideration.

Acquired receivables

The fair value of trade and other receivables on acquisition is deemed to be equal to the gross contractual amounts, with the expectation that all receivables are recoverable in full.

13 Fair value measurement of financial instruments

(a) – Fair value hierarchy

31 December 2016	Level 1	Level 2	Level 3	Total
Financial liabilities				
Converting notes	-	-	(17,554,500)	(17,554,500)
Contingent consideration payable	-	-	(5,698,334)	(5,698,334)
Total financial liabilities	-	-	(23,252,834)	(23,252,834)

30 June 2016	Level 1	Level 2	Level 3	Total
Financial liabilities				
Converting notes	-	-	-	-
Contingent consideration payable	-	-	(2,013,099)	(2,013,099)
Total financial liabilities	-	-	(2,013,099)	(2,013,099)

There were no transfers between hierarchy levels during the period.

The Group did not measure any financial assets at fair value on a non-recurring basis as at 31 December 2016.

(b) Valuation techniques used to determine fair values

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Converting Notes	Derivative Component Valuation Methodology	Conversion date	Apr-2017 to Nov-2019	The later the conversion date the higher the fair value to be converted upon this conversion date.
		Conversion paths	1% to 90%	The higher the % of the conversion the higher the allocation of the conversion value.
		Conversion discount	20% to 30%	The higher the discount % the higher the fair value.
Contingent consideration payable	Income approach	Net Revenue of Rockit Pty Ltd	$400,000 to $550,000	The higher the estimated net revenue the higher the fair value.
		Share price	$0.22	The higher the share price the higher the fair value.
Contingent consideration payable	Income approach	EBITDA of Verteda Holdings Limited	£1,312,062 to £2,450,000	The higher the estimated EBITDA the higher the fair value.
Contingent consideration payable	Income approach	EBIT of C. Faegermann Holding APS	kr3,249,000 to kr9,014,000	The higher the estimated EBIT the higher the fair value.

Financial liabilities categorised as Level 3 have had their fair value determined using market interest rates and valuation techniques that incorporate adjusted market transactions. They have been classified Level 3 because as they have complex conversion features such as price and timings and unobservable inputs such as forecast revenues and expenses.

Reconciliation of Level 3 fair value movements

The following table sets out the movements in Level 3 fair values recurring measurements:

	Converting Notes	Contingent consideration payable	Total
Opening balance 1 July 2016	-	(2,013,099)	(2,013,099)
Additions	(17,000,000)	(4,032,205)	(21,032,205)
Reversal of payables recognised in other income	-	588,099	588,099
Fair value movements recognised in profit or loss during half-year period	(554,500)	(241,129)	(795,629)
Closing balance 31 December 2016	(17,554,500)	(5,698,334)	(23,252,834)

14 Company Details

Registered office

The registered office of the company is:
MSL Solutions Limited
Lvl 10, 300 Ann Street
Brisbane QLD, 4000

Principal place of business

The principal places of business is:
MSL Solutions Limited
Lvl 10, 300 Ann Street
Brisbane QLD, 4000

15 Contingent liabilities

There are no contingent liabilities as 31 December 2016.

16 Events after balance sheet date

There were no significant post balance events.

Directors' Declaration

In accordance with a resolution of the directors of MSL Solutions Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 33 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*; and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director

C G Kinross

Dated this 30th day of March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MSL Solutions Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MSL Solutions Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 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 consolidated entity's financial position as at 31 December 2016 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MSL Solutions Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MSL Solutions Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO

K L Colyer

K L Colyer
Director

Brisbane, 30 March 2017