

**MSL Solutions Limited and Controlled Entities  
ACN 120 815 778**

**Financial Statements**

**For the Year Ended 30 June 2016**

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## **MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES**

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### **Corporate governance statement**

The objective of the Board of MSL Solutions Limited (“the Group”) is to create and deliver long-term shareholder value through a range of diversified product offerings in the point of sale, membership and software industries. While each area of the Group activities holds significant value and makes a significant contribution towards achieving the Board’s objective, management of the synergies arising from the interrelations between various business activities is critical to achieving the objective of creating and delivering long term shareholder value.

The Board considers there to be a positive relationship between the creation and delivery of long-term shareholder value and high quality corporate governance. As such the Board has committed to corporate governance arrangements that value integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

The Group operates as a single economic entity with a unified board and management, as such the Board’s corporate governance arrangements apply to all entities within the economic group.

### **Board Composition**

The Board comprises four directors, three of whom (including the Chair) are non-executive and meet the Board’s criteria to be considered independent. The names of the non-executive/independent directors are:

Mr Kenneth J Down	Non Executive Chairman
Mr Ian M Daly	Non Executive Director
Dr Richard W Holzgrefe	Non Executive Director

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

A complete listing of the Board’s directors for the year ended 30 June 2016, along with their biographical details, is provided in the director’s report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the Group is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. Whilst detailed knowledge of the industries that the Group are active participants is a major requirement the directors need to have a strong understanding of a range of other areas.

### **Audit Committee**

The role of the audit committee is to assist the Board in monitoring the process and controls associated with the financial reporting function that ensure the integrity of the Group’s financial statements. Specifically the audit committee oversees:

- The appointment, independence, performance and remuneration of the external auditor;
- The integrity of the audit process;
- The effectiveness of the internal controls; and
- Compliance with the applicable regulatory requirements.

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The audit committee comprises of Dr Richard W Holzgrefe, Mr Ian Daly. The Managing Director, Group Financial Controller and other directors are invited to attend as well.

The names and qualifications of the audit committee members and their attendance at meeting of the committee are included in the directors' report.

### **Board Roles and Responsibilities**

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the Groups business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the Groups performance.

As part of its corporate governance arrangements, the Board has established a strategy for engaging and communication with shareholders that includes:

- Reporting to all shareholders;
- Actively encouraging shareholders to attend and participate in the company's annual general meeting (AGM).

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board has delegated to the Chief Executive Officer (CEO), Mr Craig Kinross, all authorities appropriate and necessary to achieve the Boards objective to create and deliver long-term shareholder value. Notwithstanding these arrangements the CEO remains accountable to the Board for the authority delegated to him and for the performance of the Groups business activities at all times. Before approving the Groups financial statements for a financial period, the Board receives from the CEO a declaration that, in his opinion, the financial records of the Group have been properly maintained, the financial position and performance of the Group, and the opinion has been formed on the basis of a sound system of risk management and internal control which operating effectively. As noted above, the Board regularly monitors the decisions and actions of the CEO as well as the performance of the Groups business activities.

### **Risk Management**

The Group does not have a risk committee. However, the Board is entrusted with the identification and management of key risks associated with the business that are vital to creating and delivering long-term shareholder value.

The main risks that could impact on the performance of the Groups business activities include:

- Failure or non-performance of counterparties (customers and suppliers);
- Fall in demand due to competitor actions;
- Supply chain disruptions.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight.

The Group does not have an internal audit function. The board is not aware of any material exposure to economic, environmental or social sustainability risks to which the Group may be subject.

### **Remuneration Policy**

All executives receive a base salary, superannuation and performance incentives. The performance of executives is measured against criteria on an annual basis which are based on the forecast EBITDA of the Group and shareholders value.

Executives are also entitled to participate in option arrangements. All remuneration paid to executives is valued at cost to the Group and expensed. The cost of shares options granted to executives are measured using the Black-Scholes methodology.

## **CHAIRMAN'S REPORT – *Review of Operations***

In the year ended 30/06/2016 the company generated an EBITDA from continuing operations of \$983,379 (2015: \$841,628) derived from total revenues from continuing operations of \$11,288,635 (2015: \$8,701,861). We see this as a pleasing result.

The company continues to invest in its platform for future growth. Research and development costs are expensed in the year it is incurred. In the year ended 30/06/2016 the company invested gross research and development expenditure of \$1,175,075 (2015: \$1,015,550).

The company has a strong balance sheet at 30/6/2016. Included in the balance sheet is an investment in Zuuse being held for sale. This is carried on our balance sheet at \$2,257,501, however a recent trade on the stock at 7.5c would value our shareholding at \$2,957,816.

Zuuse has provided a strong return on investment for shareholders since being acquired in 2012. While the investment in Zuuse is not inappropriate, it is a non-core asset, and the company has continued its divestment program of Zuuse and is classified as being held for sale.

Our business strategy is to empower Member Based Organisations and their members.

These organisations cover Sporting Associations, Registered Clubs, Universities, Stadia, Theme Parks and recently Retirement Living. Their collective memberships account for circa 75% of the Australian population and there are millions of these organisations worldwide.

Our business model provides an integrated, customer-centric platform that allows our customers to choose any of our businesses products and associated brands that leverage our core open architecture and online marketplace.

We are focused on growing our customers' capability, as strategic technology partners, to enhance their income streams and their governance. In so doing their business growth facilitates the growth in our recurring annuity streams.

Our core integration architecture is cloud SaaS, as is all of our new software module developments.

In the last fiscal year over 50% of our revenue was derived from continuing operations from sticky recurring annuity streams, and we grew our top-line revenues by 30% on the prior corresponding period.

We are maintaining good momentum in our business. Certainly our platform is tailored to penetrate a vast fragmented global marketplace and we will continue to support this growth capability through strategic acquisitions.

In the last fiscal year, we successfully transitioned InfoGenesis into the MSL structure. InfoGenesis owns Virtual Manager and is the exclusive Australian reseller of Agilysis Hospitality IT solutions with over 3,500 POS terminals installed in hundreds of venues, including iconic venues such as the Melbourne Cricket Ground, Australian Golf Club, Village Roadshow, Merivale Group and Rooty Hill RSL to name a few.

We also completed the acquisition of a Golf Computer Systems business and a cloud-based golf management system in April 2016 and June 2016 respectively.

These acquisitions all meet our acquisition criteria of established profitability. Increasing our market share, improving our intellectual property with complimentary strategic assets and staff, adding positively to our bottom line financially and improving our reach into the international markets.

We secured these acquisitions via debt funding, and then retired this debt following an over-subscribed equity raising in April 2016. This involved a placement of 37.7 million shares in April 2016 at 15.5c per share. The placement also enabled us to accelerate our growth initiatives.

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Our priorities in the year ahead are to:

- Continue to grow our platform marketplace with new customers and integrated software partners;
- Establish our business intelligence and analytics cloud SaaS solution as the market leader for our chosen markets;
- Enter the international markets; We can confirm we are at an advanced stage in securing two significant international business which will significantly impact our International momentum;
- Achieve our goal of a public listing

We thank all shareholders for your continued interest and support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Down', with a stylized flourish at the end.

John Down

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### DIRECTORS' REPORT

The directors of Micropower Solutions Limited present their report on the company and its controlled entities for the financial year ended 30 June 2016 and report as follows:

#### Directors

The names of the directors in office at any time during, or since the end of, the 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

Directors have been in office since the start of the financial 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 year are:

Mr John H Barton

#### 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. There are four main business units including Micropower, iseekgolf, Marketown Media and Golfink Partners, and during FY16 MSL Solutions acquired InfoGenesis Pty Ltd and Rockit Pty Ltd (Golf Computer Systems) to further increase the customer base and revenue streams of the Group.

There have been no significant changes in the nature of the Group's principle activities during the financial year.

#### Operating Results

The consolidated EBITDA from continuing operations for the year ending 30 June 2016 is \$983,379 (2015: EBITDA from continuing operations \$841,628).

The consolidated profit of the economic entity after providing for income tax amounted to a loss of \$1,266,286 (2015: profit \$982,901). This includes depreciation and amortisation of \$1,978,908 (2015: \$1,369,994)

#### Dividends

A dividend of 0.5cents was declared during the financial year ending 30 June 2016.

#### Review of operations

Please refer to the Chairman's Report – *Review of Operations* on page 4 of this Annual Report which includes comments on future strategies and prospects.

#### 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 coming financial year, the Group was party to a number of transactions that further enhanced the current corporate investment structure.

A capital raise was completed in the later part of the financial year with funds used to alleviate the borrowings of the Group that had been put in place in the past financial years to fund acquisitions.

The Group also continued on from its actions from the last financial year in relation to Zuuse Pty Ltd. While the investment in Zuuse is not inappropriate, the ongoing focus on entering the capital markets

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within the next 24 months indicates the group needs to ensure that overall performance is not influenced by an interest in a non-core asset such as the Zuuse investment.

The Board considered it in the best interests of shareholders to reduce the MSL holding in Zuuse Pty Ltd to 30.2% in FY2016. This was achieved through a sell down of Zuuse shares by the Group and also a capital raise exercise conducted separately by Zuuse.

MSL Solutions Limited now considers its investment in Zuuse as an investment that is being held for sale on the Statement of Financial Position. Consequently, the treatment of the Zuuse investment in the MSL Solutions FY2016 accounts has transitioned from an investment in a joint venture to an asset that is classified as held for sale.

In January 2016 MSL Solutions completed the acquisition of InfoGenesis Pty Ltd, a provider of hardware, software and support to a number of premium clients that include ANZ Stadium and the Melbourne Cricket Ground. This further enhances the Group's customer base and adds an important layer to the Group's technology offering to its current customers.

During the financial year MSL Solutions also completed the acquisition of Rokit Pty Ltd (Golf Computer Systems or GCS). GCS is a provider of hardware, software and support to a range of golf clubs 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 can only be served better by the synergies created within the Group with this acquisition.

During the year MSL also purchased a suite of cloud based software assets from DotGolf for the explicit purpose of evolving that software in a different direction to that of DotGolf for the Australian and global markets.

### **After balance date events**

There were no significant events post balance date events.

### **Future Developments**

Continue to enhance the operating model to have leading market integration and data aggregation solutions for membership based organisations;

Leverage the business intelligence and analytics solution across all business units and industry sectors;

Emerging membership based organisation markets;

Grow into the international markets.

### **Environmental Issues**

The Group's operations are not regulated by any significant environmental regulation under any law of either the Commonwealth or State or Territory of Australia.

### **Director Information**

**Mr Kenneth J Down** Non-Executive Chairman appointed 28 October 2008

Qualifications

Bachelor of Economics (University of Queensland) Master of Economics (University of New England)

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### Experience

Mr Down is an economist with substantial private commercial and public sector experience gained through positions as co-founder and Executive Director of the GRM Group of companies (1970-1992) a multi-faceted agri-business comprising a significant Northern Territory pastoral interests, a trading company specialising in the export of meat and livestock and an international consulting company with projects in over 50 countries in the developing world. The company was sold to Consolidated Pastoral Holdings in 1992.

He was appointed Head of the Office of the Coordinator General, Director-General of the Office of Major Projects for the Government of Queensland (1993-1996) with responsibility for all aspects of State development.

Mr Down founded Viking Industries Limited in 1997 which he grew from modest beginnings into a medium capitalised publicly listed company with a major focus on industrial development and marine re-fit and repair. The company was sold in 2008 to a private equity group.

Current directorships also include Chairman of Asia Pacific Aircraft Solutions Limited and a member of the Council of Brisbane Boys College

Former directorships held by Mr Down include Deputy Chairman of Austrade, director of QCT Resources Limited, Anaconda Nickel Limited, Export Finance & Insurance Corporation and Santos UK and USA, and the Herron Pharmaceuticals advisory board

Special responsibilities Chairman of the Board

Interest in shares 10,339,486 shares at 30 June 2016

**Mr Ian M Daly** Non-Executive Director appointed 18 December 2009

### Qualifications

Fellow of The Royal Institution of Chartered Surveyors

### Experience

Mr Daly was Chairman of the Rawlinsons Group until 1998. The Rawlinsons Group is one of Australia's leading quantity surveying and project management consultancies. During 31 years with Rawlinsons he held a number of official positions in both professional and industry bodies that were involved in the construction and development industries.

In February 2001 Mr Daly became an executive director of Brisbane Marine Industry Park, and subsequently Viking Industries Limited, with a focus on business development and project management within that Marine Park.

Special responsibilities Member of the Audit Committee

Interest in shares 12,322,581 shares at 30 June 16

**Dr Richard W Holzgrefe** Non-Executive Director appointed 18 December 2007

### Qualifications

Bachelor of Dental Science (University of Queensland 1966)

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### Experience

Dr Holzgrefe co-founded the BOH Dental Group which grew to be the largest dental practice in Queensland by 1990. In 1997 he retired from dentistry to pursue interests in the aged care industry and property.

He has held many offices including co-director of Kenlynn Property Syndicates Pty Ltd (1997-2000), director of VLRQ Pty Ltd (1998-2004), chairman of Urana Road Developments Pty Ltd (2000 - present), chairman of Ebert St Developments Pty Ltd (2007 - present) and director of Holmac Holdings Pty Ltd (2004 - present).

Special responsibilities Chairman of the Audit Committee

Interest in shares 16,886,685 shares at 30 June 2016

**Mr Craig G Kinross** Managing Director and Chief Executive Officer

### Qualifications

Bachelor of Commerce degree from the University of Queensland and is a member of the Institute of Chartered Accountants.

### Experience

Mr Kinross has significant experience in the software industry holding various senior operations and finance management roles in successful international companies over the last 15 years.

Prior to joining Micropower, Mr Kinross was at Mincom (now Ventyx) for ten years, most recently as VP Financial Planning & Analysis. Mincom is a global software and services provider headquartered in Brisbane providing business solutions to capital intensive industries in more than 40 countries around the world. Mr Kinross was a key member of the deal team securing the sale of the business to US private equity business Francisco Partners for over \$300 million, and post the acquisition was the internal lead of a substantial organisation restructure as the Global Financial Crisis hit reducing headcount and costs by over 30% while still maintaining a platform for revenue growth. This restructure allowed banking syndicate covenants to be re-negotiated and provided the platform for sale of the business less than two years later to ABB Ventyx.

Mr Kinross joined MSL in 2010 as Chief Operating Officer, and lead the restructure of the business to reduce headcount and costs by over 30% while still providing a platform to grow top-line revenues over the next two financial years by over 20%. Mr Kinross transitioned into the role of CEO in July 2012.

Before Mincom Mr Kinross held corporate finance roles at Invensys Plc and Credit Suisse Financial Products based in London. Prior to moving to London he was an accountant in the Business Advisory Group at KPMG, based in Brisbane.

Interest in shares 1,397,580 shares at 30 June 2016

### *Company Secretary*

**Mr John H Barton** Appointed 20 November 2008

Mr Barton, Bachelor of Commerce (University of Queensland 1964), provides company secretarial services on a part time basis. He is a former company secretary

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of Viking Industries Limited, Queensland Motorways Limited, Hamilton Island Limited and Mount Isa Mines Limited.

### Meetings of Directors

During the financial year 17 director meetings and 1 audit committee meeting were held. Attendances by each director during the financial year were as follows:

Name	Board		Audit Committee	
	Held	Attended	Held	Attended
Ken Down	17	17		
Richard Holzgrefe	17	16	1	1
Ian Daly	17	16	1	0
Craig Kinross	17	16		

### Indemnifying Officers or Auditors

The parent entity has entered into agreements to indemnify the directors and officers of the group up to a specified limit against liabilities for damages and legal costs incurred in defending a civil action brought against them and arising out of their conduct while acting in the capacity of a director or officer within the economic entity.

The directors and officers may not be indemnified by the entity for claims made by reason of any wrongful act committed by them in their capacity as a director or officer.

Full particulars are not disclosed as required by the insurance contract.

### Audit

The auditor's independence declaration for the year ended 30 June 2016 has been received and is included on page 17 of this Annual Report.

Directors are satisfied that the provision of non-audit services by external auditors during the year is compatible with requirements for independence of auditors imposed by the *Corporations Act 2001*.

The following fees were incurred for non-audit services provided by BDO during the year ended 30 June 2016:

Taxation and consultancy services	\$39,930
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Directors are satisfied that these services did not compromise the auditor's independence as the nature of the services did not compromise the general principles relating to auditor independence contained in APES 110 Code of Ethics for Professional Accountants.

### Shares

During FY2016 MSL Solutions issued 37,682,022 shares as part of a capital raising event. These shares were issued at 15.5cents each.

As part of the acquisitions during the year a further 4,838,710 shares were issued at 15.5cents each

### **Options**

During FY2016 MSL Solutions issued 18,300,000 options to key management personnel and other employees as part of an incentive scheme. The options were issued with an exercise price of between 15.5cents and 22cents and a term of five years.

### **Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the entity or any entity within the economic entity or intervene in any proceedings to which an entity is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

No company within the group was a party to any such proceedings during the year.

Signed in accordance with a resolution of the directors dated 14 October 2016.



R W Holzgreffe  
Director



C G Kinross  
Managing Director and CEO

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**Auditors Independence Declaration under Section 307C of the Corporations Act 2001**



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**DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF MSL SOLUTIONS LIMITED**

As lead auditor of MSL Solutions Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular scribble.

**A J Whyte**  
Director

**BDO Audit Pty Ltd**

Brisbane: 14 October 2016

**Consolidated Statement of Comprehensive Income**

**For the Year Ended 30 June 2016**

		<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	<b>3</b>	11,288,635	8,701,861
Other income	<b>3</b>	900,466	8,428
Cost of Sales		(1,898,321)	(945,723)
Sales Expenses		(2,459,925)	(1,746,669)
Technical Services Expenses		(836,434)	(794,345)
Customer Services Expenses		(2,005,586)	(1,675,223)
Marketing Expenses		(703,654)	(699,940)
Iseekgolf Expenses		(821,088)	(508,246)
Research & Development expenses	<b>4</b>	(509,914)	(649,447)
General & Admin Expenses		(1,434,143)	(807,003)
Depreciation & Amortisation	<b>4</b>	(1,978,908)	(1,369,994)
Transaction Costs		(418,300)	(42,064)
Finance costs	<b>4</b>	(157,206)	(186,349)
Share of loss of Joint Ventures accounted for using the Equity Method		(118,358)	-
<b>Loss before income tax</b>		<b>(1,152,735)</b>	<b>(714,715)</b>
Income tax benefit/(expense)	<b>30</b>	(113,551)	-
<b>Loss from continuing operations</b>		<b>(1,266,286)</b>	<b>(714,715)</b>
Profit / (Loss) from discontinued operations	<b>28</b>	-	1,697,615
<b>Profit/(Loss) for the year</b>		<b>(1,266,286)</b>	<b>982,901</b>
Other comprehensive income net of tax		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(1,266,286)</b>	<b>982,901</b>
<b>Profit/(loss) attributable to:</b>			
Owners of MSL Solutions Limited		(1,266,286)	1,272,985
Non-controlling interests		-	(290,083)
		<b>(1,266,286)</b>	<b>982,901</b>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Owners of MSL Solutions Limited		(1,266,286)	1,272,984
Non-controlling interests		-	(290,083)
		<b>(1,266,286)</b>	<b>982,901</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	2,749,129	684,652
Trade and other receivables	6	3,053,419	2,145,172
Assets classified as held for sale	11	2,257,501	-
Other Current assets	7	244,240	285,083
<b>Total current assets</b>		<b>8,304,290</b>	<b>3,114,907</b>
<b>Non-current assets</b>			
Receivables	6	887,902	889,627
Property, plant and equipment	9	236,887	191,983
Intangible assets	10	12,752,159	7,247,374
Investments in joint ventures accounted for using equity method	27	-	2,366,253
Other Non-Current assets	7	128,201	106,887
Deferred tax assets	8	169,340	-
<b>Total non-current assets</b>		<b>14,174,489</b>	<b>10,802,124</b>
<b>Total assets</b>		<b>22,478,779</b>	<b>13,917,031</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	4,725,174	2,480,096
Borrowings	13	306,752	619,392
Provisions	15	1,510,573	91,136
Deferred revenue	14	2,894,610	1,067,036
<b>Total current liabilities</b>		<b>9,437,109</b>	<b>4,257,660</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	162,500	-
Borrowings	13	-	1,350,699
Provisions	15	860,979	1,006,827
Deferred revenue	14	-	34,130
<b>Total non-current liabilities</b>		<b>1,023,479</b>	<b>2,391,656</b>
<b>Total liabilities</b>		<b>10,460,589</b>	<b>6,649,316</b>
<b>Net assets</b>		<b>12,018,190</b>	<b>7,267,715</b>
<b>EQUITY</b>			
Contributed equity	16	21,628,527	15,294,477
Reserves	17	1,300,703	1,216,627
Retained earnings		(10,911,041)	(9,243,389)
<b>Total equity</b>		<b>12,018,190</b>	<b>7,267,715</b>
<b>Non-Controlling Interest</b>		<b>-</b>	<b>-</b>
		<b>12,018,190</b>	<b>7,267,715</b>

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

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**Consolidated Statement of Changes in Equity**
**for the Year Ended 30 June 2016**

	Contributed equity	Retained earnings	Change in proportionate interest reserve	Share-based payment reserve	Total	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED ENTITY</b>							
<b>Balance as at 1 July 2015</b>	<b>15,294,477</b>	<b>(9,243,389)</b>	<b>1,066,627</b>	<b>150,000</b>	<b>7,267,715</b>		<b>7,267,715</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	(1,266,286)	-	-	(1,266,286)	-	(1,266,286)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,266,286)</b>	<b>-</b>	<b>-</b>	<b>(1,266,286)</b>	<b>-</b>	<b>(1,266,286)</b>
<b>Transactions with owners in their capacity as owners</b>							
Contributions of equity, net of transaction costs	6,334,050	-	-	-	6,334,050	-	6,334,050
Dividends paid	-	(401,364)	-	-	(401,364)	-	(401,364)
Share-based payments expense	-	-	-	84,076	84,076	-	84,076
<b>At 30 June 2016</b>	<b>21,628,527</b>	<b>(10,911,039)</b>	<b>1,066,627</b>	<b>234,076</b>	<b>12,018,191</b>	<b>-</b>	<b>12,018,191</b>

	Contributed equity	Retained earnings	Change in proportionate interest reserve	Share-based payment reserve	Total	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED ENTITY</b>							
<b>At 1 July 2014</b>	<b>11,924,337</b>	<b>(10,516,373)</b>		<b>150,000</b>	<b>1,557,964</b>		<b>1,557,964</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	1,272,984	-	-	1,272,984	(290,083)	982,901
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,272,984</b>	<b>-</b>	<b>-</b>	<b>1,272,984</b>	<b>(290,083)</b>	<b>982,901</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue of share to non-controlling interest	-	-	1,066,627	-	1,066,627	549,474	1,616,101
Contributions of equity, net of transaction costs	3,370,140	-	-	-	3,370,140	-	3,370,140
Loss of control of subsidiary	-	-	-	-	-	(259,391)	(259,391)
<b>At 30 June 2015</b>	<b>15,294,477</b>	<b>(9,243,389)</b>	<b>1,066,627</b>	<b>150,000</b>	<b>7,267,715</b>	<b>-</b>	<b>7,267,715</b>

**Consolidated Statement of Cash Flows**  
**For the Year Ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities - continuing operations:</b>			
Receipts from customers		11,306,022	8,510,723
Payments to suppliers, employees and others		(10,913,913)	(7,739,433)
Interest received		198	8,428
Finance costs		(157,206)	(181,657)
R&D Incentive grant received		330,000	244,834
<b>Net cash flows from operating activities - continuing operations</b>		<b><u>565,102</u></b>	<b><u>842,895</u></b>
<b>Cash flows from operating activities - discontinued operations:</b>			
Receipts from customers		-	326,500
R&D Incentive grant received		-	391,403
Payments to suppliers, employees and others		-	(1,560,513)
<b>Net cash flows from operating activities - discontinued operations</b>		<b><u>-</u></b>	<b><u>(842,610)</u></b>
<b>Total net cash flows from operating activities</b>	<b>22</b>	<b>565,102</b>	<b>285</b>
<b>Cash flows from investing activities - continuing operations:</b>			
Acquisition of PPE and intangible assets		(986,412)	(173,362)
Acquisition of other non-current assets		-	(91,942)
Acquisition of subsidiaries net of cash & cash equivalents acquired		(707,307)	(1,599,289)
Cash deconsolidated on loss of control of Zuuse		-	(675,509)
Proceeds from sale of non-current assets		25,000	-
<b>Net cash flows from investing activities - continuing operations</b>		<b><u>(1,668,719)</u></b>	<b><u>(2,540,102)</u></b>
<b>Cash flows from investing activities - discontinued operations:</b>			
Acquisition of property, plant and equipment		-	(46,645)
<b>Net cash flows from investing activities - discontinued operations</b>		<b><u>-</u></b>	<b><u>(46,645)</u></b>
<b>Total net cash flows from investing activities</b>		<b>(1,668,719)</b>	<b>(2,586,747)</b>

**MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES**

ACN 120 815 778

**Cash flows from financing activities - continuing operations:**

Proceeds from borrowings		350,221
Repayment of borrowings	(1,912,731)	(2,531,597)
Repayment of finance leases	(117,301)	-
Proceeds from Capital Raising	5,840,714	3,167,535
Outflows from Capital Raising	(216,342)	(34,430)
Dividends paid	(401,364)	-
<b>Net cash flows from financing activities - continuing operations:</b>	<b><u>3,192,976</u></b>	<b><u>951,729</u></b>

**Cash flows from financing activities - discontinued operations:**

Proceeds from Capital Raising	-	1,616,101
<b>Net cash flows from financing activities - discontinued operations:</b>	<b><u>-</u></b>	<b><u>1,616,101</u></b>

**Total net cash flows from financing activities****3,192,976**      **2,567,830****Net increase/(decrease) in cash and cash equivalents****2,089,360**      **(18,632)**

Cash and cash equivalents at the beginning of the financial year

**22**      544,639      563,271**Cash and cash equivalents at the end of the financial year****22**      **2,633,999**      **544,639**

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**1 Statement of Significant Accounting Policies**

**Corporate Information**

The financial statements of MSL Solutions Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 14 October 2016 and covers the consolidated entity consisting of MSL Solutions Limited and its subsidiaries as required by the Corporations Act 2001.

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

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs except where stated.

The financial statements also comply with international financial reporting standards (IFRS) as issued by the International Accounting Standards Board.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Going concern assumption**

As at 30 June 2016 the group had working capital deficiency of \$1,132,819. Included in current liabilities is a non-cash item, income in advance of \$2,894,610.

The Group are reporting an EBITDA from continuing operations of \$983,379. This result included significant R&D expenditure for the year. The R&D spend in FY2016 was \$1,175,075 and the respective Ausindustry R&D grant was booked at \$665,161.

The Group is expecting further improvements to performance in future years as it takes advantage of investments in its Micropower, iseekgolf, Golflink and InfoGenesis.

The financial statements have been prepared on the going concern basis. The going concern basis assumes that the entity will be able to continue normal business activities and pay its debts as and when they fall due. The ability of the entity to continue as going concern is dependent on the Group generating positive cashflow from its operations and raising capital when required.

**a) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of MSL Solutions Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

A list of controlled entities is contained in Note 20 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies adopted by the parent entity.

**b) Business combinations**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date.

Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The

acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value. 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are expensed when incurred.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or joint venture, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

**c) Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

MSL Solutions Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and

The net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the parent entity.

**d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets is depreciated on a diminishing value basis over their useful lives to the 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.

**Depreciation rates**

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

Class of Fixed Asset

Plant and Equipment	27% - 50%
Furniture, Fixtures and Fittings	20% - 30%
Leasehold Improvements	7.5% - 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**e) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated at the rate applicable to the class of fixed assets that the asset has been added to. This is done over the shorter of their estimated useful life and the lease term.

Leases that are classified as operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the lease term.

**f) Non-current Assets Held for Sale**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as “held for sale” occurs when; management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced.

**g) Intangibles**

**Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Software**

Software used in the business and that is not integral to the computer hardware owned by the group, is carried at cost less, where applicable, any accumulated depreciation and impairment losses. The depreciable amount of software is depreciated on a straight-line

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

basis at a rate between 25% and 40%.

Cost includes the direct costs of acquiring the software. Internal costs incurred in further developing the software are expensed.

Amortisation of intangibles is included in the line 'depreciation and amortisation' in the profit or loss.

**h) Customer Contracts**

Customer contracts recognised on acquisition are amortised on a straight line basis over the life of the contract, being between 3-11 years. Where a contract holds multiple extension periods, MSL Solutions recognises these only to the extent where MSL Solutions has the control over whether the contract is extended and it is more than probable that the extension will be utilised.

Amortisation of customer contracts is included in the line 'depreciation and amortisation' in the profit or loss.

**i) Investment in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of these policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is recognised in the profit or loss in the period in which the investment is acquired.

Profits and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the Groups interest in the associate.

When the Groups share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or mad payments on behalf of the associate, When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share for the losses not recognised.

**j) Joint Ventures**

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the group's share of profits or losses of joint ventures are recognised in consolidated profit or loss and the group's share of the movements in other comprehensive income of joint ventures are recognised in consolidated other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment. Details of joint ventures are set out in Note 27

**k) Financial Instruments**

**Recognition and Initial Measurement**

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**(i) Financial assets at fair value through profit and loss**

A financial asset is classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payment.

**Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. Fair Value of other financial assets and liabilities approximate their carrying value due to their short-term

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

nature.

**Impairment**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. An excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). An impairment loss or a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

**l) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**m) Employee Benefits**

***Short-term employee benefit obligations***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

***Other long-term employee benefit obligations***

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

***Equity-settled compensation***

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

The Group operates and employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting period. Share-based payments to non-employees are measured at the fair value of the instruments issued, and are recorded at the date the goods or services are received.

The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**n) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**o) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position

**p) Revenue and other income**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be measured reliably.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

All revenue is state net of the amount of goods and services tax.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**q) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method less any provision for impairment. Refer to note 6 for further discussion on the determination of impairment losses.

**r) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within terms of payment as detailed on invoices received.

**s) 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are shown inclusive of GST.

Cash flows are presented in the statement of cashflow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**t) Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**u) Rounding of Amounts**

Amounts in the financial report and directors' report have been rounded off to the nearest dollar.

**v) Accounting Standards Issued but Not Yet Effective**

There are two new accounting standards that have been issued during the year that are not yet effective that will affect the preparation of future financial statements. These are detailed in Note 2.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**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 data, obtained both externally and within the Group.

**Key estimates - Impairment**

The Group assesses impairment at each reporting date by evaluating conditions specific to the group 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 Micropower, current establishment cost run rates with growth at 5%
- Perpetuity growth rate of 0% for Micropower
- Discount Rate 17% for Micropower

**Key estimates – Fair Value of Intangible Assets on Acquisition**

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

- Customer contracts \$3,364,868
- Key inputs for this calculation were budgeted revenue from existing contracts for a period of 5 years and any associated costs. A capex figure of \$60,000 pa has been included for any costs that may be able to be capitalised for the NPV period. This is assumed to be further IT development, IT hardware computers and the like
- A discount rate of 12% has been applied to these contracts.

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

- Customer Contracts \$1,594,001
- Key inputs for this calculation were budgeted revenue from existing contracts for a period of 5 years and any associated costs.
- A discount rate of 12% has been applied to these contracts

**Key Judgement – Zuuse Pty Ltd as a financial asset held for sale**

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

Management have assessed that even though the Group's holds a shareholding of 30.2% at the end of the reporting period MSL, a judgement has been made that Zuuse Pty Ltd should be classified as a financial asset held for sale. Management have made this assessment based on the following information:

- The Board having determined that Zuuse was a "non-core" investment would commence a sell down program;
- MSL have put in place a marketing program to sell down the remaining shares over a staged timeframe to maximise the return.

MSL expects to complete the sale of its shares in Zuuse prior to any listing on capital markets (Q4 FY17) and as such believes that it meets the classifications as an asset held for sale under AASB 5 as there is an active plan to sell, marketing has been put in place, a sale price that is reasonable has been determined and there have been sale transactions within the year and also other sales that are on the immediate horizon.

**New Accounting Standards for Application in Future Periods**

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this standard will replace the current accounting requirements applicable to revenue with a single principles based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customer and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following 5 step process:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation in the contract(s);
5. Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either; restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15) or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate the adoption of AASB 15 may have an impact on the Groups financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lease accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

1. Recognition of a right to use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
2. Depreciation of right to use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principle and interest components;
3. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at commencement date;
4. By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
5. Additional disclosure requirements.

The transitional provision of AASB 16 allow a lessee to either retrospectively apply to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Groups financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**3 Revenue and other income**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue from Operating Activities</b>			
Booking Fees		353,480	420,954
Customer contracts annuities		4,812,536	3,921,962
System Installations		807,687	639,706
Software Fees and Royalties		801,901	483,663
Hardware Fees		1,702,218	761,032
Subscription annuities		880,703	706,639
Other		241,711	106,414
Advertising		1,688,399	1,661,492
		<b>11,288,635</b>	<b>8,701,862</b>
<b>Other Income</b>			
Gain on sale of an asset		5,000	-
Gain on reversal of earnout provision	<b>25</b>	372,000	-
Bargin purchase gain on acquisition of Infogenesis	<b>25</b>	474,644	-
Settlement of professional matters		48,624	-
Interest		198	8,428
		<b>900,466</b>	<b>8,428</b>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**4 Expenses from continuing operations**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit(loss) before income tax includes the following specific expenses:		
Interest Expense	134,015	108,008
Interest on Director Loans	23,191	78,341
<b>Finance Costs</b>	<b>157,206</b>	<b>186,349</b>
Prior years director fees forgiven	(25,000)	(65,000)
Employee Benefits	5,249,133	4,019,915
Defined contribution superannuation contributions	441,974	372,471
Bad Debts	16,578	15,000
Amortisation expense	1,898,100	1,282,908
Depreciation expense	80,808	87,085
	<b>1,978,908</b>	<b>1,369,993</b>
Research and development	1,175,075	1,015,550
R&D incentive grant * see note	(665,161)	(366,103)
Total Research and development expenditure	<b>509,914</b>	<b>649,447</b>

\* The R&D tax concession has been replaced with the R&D tax incentive, akin to a government grant. Micropower Solutions Limited is eligible to receive a 45% refundable tax offset received in cash on an annual basis on submission of the company tax return, as it has an annual aggregate turnover of less than \$20 million

**5 Cash and Cash Equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	302	300
Cash at bank	2,748,827	684,352
	<b>2,749,129</b>	<b>684,652</b>

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016

6 Trade and Other Receivables

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	2,339,264	809,647
Allowance for doubtful debts	(51,556)	(51,556)
Other receivables	765,712	1,387,081
	<u><b>3,053,419</b></u>	<u><b>2,145,172</b></u>
	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current</b>		
Trade Receivables	40,499	42,224
Loan Receivable - Related party	847,403	847,403
	<u><b>887,902</b></u>	<u><b>889,627</b></u>

**Provision for Impairment of Receivables**

Trade receivables are generally non-interest bearing loans and on 30-day terms. Included in trade receivables are receivables from those on a payment plan. These are interest bearing at a fixed rate of 9% and are generally on a four-year term. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in doubtful debts expense.

Movement in the provision for impairment of receivables is as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
At the beginning of period	51,556	51,979
Doubtful Debts written off	(16,578)	(15,423)
Provision for doubtful receivables	<u>16,578</u>	<u>15,000</u>
	<b>51,556</b>	<b>51,556</b>

**Credit risk**

The Group has no significant concentration of credit risk with respect to any single counterparty or Group of counterparties other than those receivables specifically provided for. The class for assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

The Group has no significant credit risk exposures internationally.

The following table details the Group's Trade receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered "past due" when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by assessing

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

solvency of the debtor and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balance of trade receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The purpose of the below table is to summarise receivables past due.

	<b>Net</b>	<b>Current</b>	<b>&lt;30</b>	<b>Past due</b>		
				<b>31-60</b>	<b>61-90</b>	<b>&gt;90</b>
<b>2016</b>						
Trade receivables	2,438,650	2,208,212	48,837	80,859	16,282	84,461
Non-Current trade receivables	40,499	-	-	-	-	40,499
Impaired	(51,556)	-	-	-	-	(51,556)
<b>Total</b>	<b>2,427,593</b>	<b>2,208,212</b>	<b>48,837</b>	<b>80,859</b>	<b>16,282</b>	<b>73,404</b>
	<b>Net</b>	<b>Current</b>	<b>&lt;30</b>	<b>Past due</b>		
				<b>31-60</b>	<b>61-90</b>	<b>&gt;90</b>
<b>2015</b>						
Trade receivables	809,647	652,308	54,193	13,384	10,614	78,964
Non-Current trade receivables	42,224	-	-	-	-	42,224
Impaired	(51,556)	-	-	-	-	(51,556)
<b>Total</b>	<b>800,315</b>	<b>652,308</b>	<b>54,193</b>	<b>13,384</b>	<b>10,614</b>	<b>69,631</b>

**7 Other Assets**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>		
Prepayments	244,240	285,083
	<b>244,240</b>	<b>285,083</b>
<b>Non Current assets</b>		
Bond	128,201	106,887
	<b>128,201</b>	<b>106,887</b>

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016

8 Deferred tax asset

	Consolidated	
	2016	2015
	\$	\$
Total deferred tax assets	<u>169,340</u>	<u>-</u>

9 Property, Plant and Equipment

	Consolidated	
	2016	2015
	\$	\$
<i>Leasehold improvements</i>		
At cost	13,584	5,120
Accumulated amortisation	<u>(5,772)</u>	<u>(5,120)</u>
	<u>7,812</u>	<u>-</u>
<i>Plant and equipment</i>		
At cost	912,936	693,463
Accumulated depreciation	<u>(743,940)</u>	<u>(512,927)</u>
	<u>168,996</u>	<u>180,536</u>
<i>Furniture Fixtures &amp; Fittings</i>		
At cost	191,503	84,308
Accumulated depreciation	<u>(136,291)</u>	<u>(72,861)</u>
	<u>55,211</u>	<u>11,447</u>
<i>Motor Vehicle</i>		
At cost	23,658	-
Accumulated amortisation	<u>(18,790)</u>	<u>-</u>
	<u>4,868</u>	<u>-</u>
Total non-current property, plant and equipment	<u>236,887</u>	<u>191,983</u>

Movements in Carrying Amounts

	Leasehold Improvements	Plant and Equipment	Furniture and Fixtures	Motor vehicles	Total PPE
<b>Opening Balance 1 July 2014</b>	-	92,629	11,658	-	104,287
Additions	-	217,157	2,850	-	220,007
Disposals	-	(36,610)	-	-	(36,610)
Depreciation	-	(92,640)	(3,061)	-	(95,701)
<b>Opening Balance 1 July 2015</b>	-	<b>180,536</b>	<b>11,447</b>	-	<b>191,983</b>
Additions	8,464	61,030	51,041	5,177	125,712
Depreciation	(652)	(72,570)	(7,277)	(309)	(80,808)
<b>Closing Balance</b>	<b>7,812</b>	<b>168,996</b>	<b>55,211</b>	<b>4,868</b>	<b>236,887</b>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**10 Intangible Assets**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Goodwill</i>		
At cost	1,223,000	1,223,000
<i>Computer Software, other</i>		
At cost	5,207,883	2,814,880
Accumulated amortisation	<u>(2,173,660)</u>	<u>(1,277,996)</u>
	<b>3,034,223</b>	<b>1,536,884</b>
<i>Formation expenses</i>		
At cost	<u>2,166</u>	<u>2,166</u>
<i>Contracts</i>		
At cost	10,070,273	5,059,455
Accumulated amortisation	<u>(1,577,504)</u>	<u>(574,131)</u>
	<b>8,492,770</b>	<b>4,485,324</b>
Total intangible assets	<u><b>12,752,159</b></u>	<u><b>7,247,374</b></u>

**Movements in Carrying Amounts**

	Software	Goodwill	Formation costs	Contracts	<b>Total Intangibles</b>
<b>Opening Balance 1 July 2014</b>	3,213,039	1,223,000	2,166	3,676,423	8,114,628
Additions	91,942	-	-	1,243,551	1,335,493
Disposals	(638,800)	-	-	-	(638,800)
Amortisation	(1,129,297)	-	-	(434,650)	(1,563,947)
<b>Opening Balance 1 July 2015</b>	<b>1,536,884</b>	<b>1,223,000</b>	<b>2,166</b>	<b>4,485,324</b>	<b>7,247,374</b>
Additions	2,418,004	-	-	4,984,880	7,402,884
Amortisation	(897,125)	-	-	(1,000,975)	(1,898,100)
<b>Closing Balance</b>	<b>3,057,764</b>	<b>1,223,000</b>	<b>2,166</b>	<b>8,469,229</b>	<b>12,752,159</b>

Goodwill has been allocated to the Micropower cash generating unit. This cash generating unit is on software development, sales and support for clubs and other member based organisations.

Intangible assets, other than goodwill and formation costs, 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.

The recoverable amount of this cash generation unit is 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 is 18%. Revenue is forecast to increase 3% in 2017 and expenses are forecast to decrease 10%.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**11 Assets held for sale**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Equity securities in Zuuse Pty Ltd	<u><b>2,257,501</b></u>	<u>-</u>

In September 2015 the Group started to take action with a view to sell its entire interest in Zuuse Pty Ltd. For further information, please refer to key judgement in Note 2.

MSL is taking action to sell down the remaining shares over a staged timeframe to maximise the return.

MSL expects to complete the sale of its shares in Zuuse within the next 12 months.

**12 Trade and Other Payables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Trade payables	779,218	1,018,589
Payable for DotGolf Software	1,435,255	-
Employee entitlements	498,295	338,544
Other payables	1,862,406	1,122,963
Deferred consideration on business combinations	150,000	-
	<u><b>4,725,174</b></u>	<u><b>2,480,096</b></u>
<b>Non-Current</b>		
Deferred consideration on business combinations	162,500	-
	<u><b>162,500</b></u>	<u>-</u>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**13 Borrowings**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
<b>Unsecured</b>		
Loan Related party - unsecured	171,206	172,965
	<u>171,206</u>	<u>172,965</u>
<b>Secured</b>		
Bank Overdraft - secured	115,129	140,013
Lease liabilities - secured	20,417	106,414
Bank loans - secured	-	200,000
Total secured current borrowings	<u>135,546</u>	<u>446,427</u>
<b>Total current borrowings</b>	<u>306,752</u>	<u>619,392</u>
<b>Non-current</b>		
<b>Unsecured</b>		
Related party loans	-	291,040
Total unsecured non-current borrowings	<u>-</u>	<u>291,040</u>
Lease liabilities - secured	-	31,304
Bank Loan - secured	-	1,028,355
Total secured non-current borrowings	<u>-</u>	<u>1,059,659</u>
<b>Total non-current borrowings</b>	<u>-</u>	<u>1,350,699</u>

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.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016

14 Deferred revenue

	Consolidated	
	2016	2015
	\$	\$
<b>Current</b>		
Deferred maintenance revenue	2,522,042	710,725
Other unearned income	372,569	356,311
	<u>2,894,610</u>	<u>1,067,036</u>
<b>Non Current</b>		
Other Unearned revenue	-	34,130
	<u>-</u>	<u>34,130</u>

15 Provisions

The current year earnout provision is comprised of the value of the earnouts for Marketown Media Pty Ltd, InfoGenesis Pty Ltd and Rockit Pty Ltd. Further information and performance conditions regarding the earnout provision can be found in Note 26 – *Business Combinations*. During the year \$372,000 of the earnout provision for Marketown Media was released as performance targets for FY16 were not met. The below table reconciles the movement in this provision:

	Consolidated	
	2016	2015
	\$	\$
<b>Current</b>		
Long Service Leave	130,924	91,136
Earnout provision	1,379,649	-
	<u>1,510,573</u>	<u>91,136</u>
<b>Non-Current</b>		
Long service leave	227,529	46,729
Earnout Provision	633,450	960,099
	<u>860,979</u>	<u>1,006,828</u>

	Note	Earnout provision
		\$
Balance at 1 July 2015		960,099
Rockit Acquisition	26	925,000
InfoGenesis Acquisition	26	500,000
Reversed during the year - Marketown	26	(372,000)
Balance at 30 June 2016		<u>2,013,099</u>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**16 Contributed Equity**

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>
<b>Share capital</b>				
Fully paid	<u>122,793,561</u>	<u>21,628,527</u>	<u>80,272,829</u>	<u>15,294,477</u>
	<u>122,793,561</u>	<u>21,628,527</u>	<u>80,272,829</u>	<u>15,294,477</u>

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$</b>
1 July 2014	Opening balance		53,282,552		11,924,337
1 Sept to 31 Oct 2015	Shares issued via capital raising		26,990,277	0.13	3,508,736
	Less: transaction costs arising on shares issued				(138,596)
30 June 2015	Balance		<u>80,272,829</u>		<u>15,294,477</u>
04 Jan 16	Shares issued at 15.5cents				
	Shares issued as part of acquisition of InfoGenesis		3,225,807	0.155	500,000
01 Apr 16	Shares issued as part of acquisition of Rocket		1,612,903	0.155	250,000
1 Mar to 30 Jun 2016	Shares issued via capital raising		37,682,022	0.155	5,840,714
					<u>21,885,191</u>
	Less: transaction costs arising on shares issued				(256,664)
30 June 2016	Closing balance		<u>122,793,561</u>		<u>21,628,527</u>

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

**Employee option plan**

Details of the employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 18.

**Capital Risk Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

The Groups debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any external imposed capital requirement. Management effectively manages the Group's capital by assessing the Groups financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions and share issues.

**Gearing ratios**

	Note	Consolidated	
		2016	2015
		\$	\$
Total Borrowings	13	(306,752)	(1,028,355)
Cash and cash equivalents	5	2,749,129	684,652
Net Debt		<u>2,442,377</u>	<u>(343,703)</u>
Total equity		<u>21,628,527</u>	<u>15,294,477</u>
Total capital		<u>21,321,775</u>	<u>14,266,122</u>
Gearing Ratio		0%	2%

The change in the gearing ratio has been due to the repayment of a large amount of debt during the financial year.

**17 Reserves**

**(a) Share Based Payments Reserve**

The share based payments reserve recognises the fair value of options issued as remuneration.

**(b) Change in proportionate interest reserve**

The change in proportionate interest recognises the accounting share of the capital raising that was undertaken by Zuuse Pty Ltd during FY2015 (now discontinued). Total amount raised by Zuuse Pty Ltd was \$1,616,101, and MSL Solutions Limited retained a 66% share in Zuuse Pty Ltd resulting in a proportionate interest reserve of \$1,066,627 being recognised in the accounts.

**(c) Share based payments expense recognised during the financial year**

	Consolidated	
	2016	2015
	\$	\$
Share based payments expense recognised during the financial year	84,076	-
Number of options issued	18,300,000	-

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**18 Share-based payments**

**Share-Based payment Expense recognised during the financial year**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Options issued under employee option plan	84,076	-
	<u><b>84,076</b></u>	<u>-</u>

During the year the Board deemed that as part of an incentive program that a number of share options were granted to key management personal and other employees to take up ordinary shares at an exercise price of \$0.22 each. The options are exercisable at various dates being 5 years from the date of issuance. The below table details the options granted:

<b>Name</b>	<b>Options</b>	<b>Acceptance Date</b>	<b>Term</b>	<b>Exercise Price</b>
Craig Kinross	9,500,000	22-10-15	5	0.22
Peter Jefferies	1,500,000	09-12-15	5	0.22
Greg Davies	750,000	22-10-15	5	0.22
Adrian Logue	300,000	21-10-15	5	0.22
Kieran Branagan	1,450,000	22-10-15	5	0.22
Nick Thornton	300,000	20-05-16	5	0.22
Ashis Govind	300,000	20-05-16	5	0.22
Paul Shipley	300,000	20-05-16	5	0.22
Paul Schmidt	300,000	20-05-16	5	0.22
John Barton	300,000	20-05-16	5	0.22
John Down	1,100,000	30-11-15	5	0.155
Richard Hlogrefe	1,100,000	30-11-15	5	0.155
Ian Daly	1,100,000	30-11-15	5	0.155

Under the option agreements these options immediately vest.

A summary of the movements of all options issued is as follows:

	<b>Number</b>	<b>Weighted average exercise price (\$)</b>
<b>Options outstanding as at 1 July 2015</b>		
Granted	18,300,000	0.21
Forfeited		
Exercised		
Expired		
<b>Options outstanding as at 30 June 2016</b>	<b>18,300,000</b>	<b>0.21</b>
Options exercisable as at 30 June 2016	18,300,000	

The weighted average remaining contractual life of options outstanding at year end was 4.44 years.

The weighted average fair value of options granted during the year was \$0.005. These values were calculated using the Black-Scholes option pricing model applying the following inputs:

**MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES**

ACN 120 815 778

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

Exercise price	\$0.22
Life of option	5
Share Volatility	25%
Risk free interest rate	1.5%
Share price at issue date	\$0.155

Historical share price volatility for three listed technology entities and also the Group have been the basis for determine expected share volatility as it is assumed that this is indicative of future volatility.

The life of the options is based on the life as detailed in the options agreement.

**19 Financial risk management**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and other related parties, equity securities.

The totals of each category of financial instruments, measured in accordance with the Standard as detailed in the accounting policies to these financial statements, are as follows:

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	<b>5</b>	2,749,129	684,652
Loans and receivables	<b>6</b>	<u>3,941,322</u>	<u>3,034,799</u>
		<u>6,690,451</u>	<u>3,719,451</u>
<b>Financial liabilities</b>			
Trade and other payables	<b>12</b>	4,688,668	1,122,963
Borrowings	<b>13</b>	<u>306,752</u>	<u>1,970,091</u>
		<u>4,995,420</u>	<u>3,093,054</u>

**Financial Risk Management Policies**

The Group's finance function has been delegated responsibility by the Board for among other issues, managing financial risk exposure within the Group. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to from previous periods.

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as processes for the approval of customers and regular monitoring of counterparty financial stability), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the cash generating unit within the Group, credit terms are generally immediate payment to 30 days from invoice date.

The maximum exposure to credit risks by class of recognised financial asset at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the financial statements.

The Group holds no collateral nor has any significant concentrations of credit risk with any single counterparty or Group of counterparties.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 6

Credit risk related to balance with banks and other financial institutions is managed by the finance function. Current policy is that surplus funds are only invested with counterparties with a rating of A. The following table provides information regarding the credit risk relating to cash holdings:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents</b>		
AAA Rated	924,301	673,997
AA Rated	10,330	10,355
A Rated	1,814,196	-
Cash on hand	302	300
	<u>2,749,129</u>	<u>684,652</u>

**Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligation related to financial liabilities. The Group manage this risk through the following processes:

- Preparing forward looking cash flows analyses in relation to its operating investing and financing activities.
- Obtaining funding from a variety of sources
- Maintaining a reputable credit profile; and
- Only investing surplus cash with major financial institutions.

**MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES**

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**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become payable within 12 months.

Cash flows realised from financial assets reflect management expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement date.

**Maturity Analysis - Group - 2016**

<b>Financial Liabilities</b>	<b>Note</b>	<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt; 6 mths</b>	<b>6- 12 mths</b>	<b>1-3 years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-derivatives</b>						
Trade Creditors	12	779,218	779,218	779,218		
Finance lease liabilities	13	20,417	21,493	21,493		
Deferred consideration	12	312,500	312,500	87,500	62,500	162,500
Loans from related parties	13	171,206	171,206	171,206		
Other payables	12	3,297,661	3,297,661	3,297,661		
<b>Total financial liabilities</b>		<b>4,581,002</b>	<b>4,582,078</b>	<b>4,357,078</b>	<b>62,500</b>	<b>162,500</b>
<b>Financial Assets</b>						
		<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt; 6 mths</b>	<b>6- 12 mths</b>	<b>1-3 years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-derivatives</b>						
Trade debtors	6	2,379,763	2,379,763	2,339,264		40,499
Other receivables	6	765,712	765,712		765,712	
Loans to related parties		847,403	847,403			847,403
<b>Total financial assets</b>		<b>3,992,878</b>	<b>3,992,878</b>	<b>2,339,264</b>	<b>765,712</b>	<b>887,902</b>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Maturity Analysis - Group - 2015**

<b>Financial Liabilities</b>		<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt; 6 mths</b>	<b>6- 12 mths</b>	<b>1-3 years</b>	<b>&gt; 3 years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-derivatives</b>							
Bank loans	13	1,228,355	1,228,355	200,000		1,028,355	
Trade Creditors	12	1,018,589	1,018,589	1,018,589			
Finance lease liabilities	13	137,718	142,637	55,090	55,090	32,457	
Other payables	12	1,122,963	1,122,963	1,122,963			
Loans from related parties	13	464,005	464,005	172,965			291,040
<b>Total financial liabilities</b>		<b>3,971,630</b>	<b>3,976,549</b>	<b>2,569,607</b>	<b>55,090</b>	<b>1,351,852</b>	

<b>Financial Assets</b>		<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt; 6 mths</b>	<b>6- 12 mths</b>	<b>1-3 years</b>	<b>&gt; 3 years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-derivatives</b>							
Trade debtors	6	851,871	851,871	809,647		42,224	
Other receivables	6	1,387,081	1,387,081		1,387,081		
Loans to related parties	6	847,403	847,403			847,403	
<b>Total financial assets</b>		<b>3,086,355</b>	<b>3,086,355</b>	<b>809,647</b>	<b>1,387,081</b>	<b>889,627</b>	

Cash flows in the maturity analysis are not expected to occur significantly earlier, or at significantly different amount.

**Market Risk**

**Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents.

At the date of reporting there was no active policy to manage the interest rate risk associated with cash and cash equivalents nor borrowings. Borrowings are currently with a related party at a fixed interest rate and cash and cash equivalents are invested simple business transaction accounts.

**Currency risk**

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (AUD) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group has a limited number of suppliers which are paid in USD.

**MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES**

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**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016****20 Controlled Entities**

Name	Country of incorporation	Equity holding **	
		2016 %	2015 %
<b>Parent Entity:</b>			
MSL Solutions Limited	Australia		
<b>Subsidiaries of parent entity:</b>			
Micropower Pty Ltd	Australia	100%	100%
MSL Finance Pty Ltd (a)	Australia	0%	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%	0%
Infogenesis Pty Limited	Australia	100%	0%
Golf Group International	Australia	100%	100%

(a) Deregistered 15 February 2016

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

**21 Related Party Transactions**

The following transactions occurred in the normal course of operations on terms and conditions comparable to those that would have been entered into with non-related parties.

Key management personnel compensation	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	219,587	288,920
Director and Secretariat fees	90,000	-
Other long-term benefits	7,425	-
Share-based payments	64,917	-
	<u>381,929</u>	<u>288,920</u>
<b>Transactions with related parties</b>		
<b>Interest expense</b>		
Interest expense on related party loans	(23,191)	(78,341)
<b>Other transactions</b>		
Forgiveness of director Fees	158,592	65,000
<b>Non-current payables (loans from related parties)</b>		
Loans from related parties	171,206	464,005

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016

***Non-current receivables (loans to related parties)***

Loans to related parties	847,403	847,403
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**22 Cash Flow information**

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	2,749,129	684,652
Bank overdraft	(115,129)	(140,013)
	<u>2,633,999</u>	<u>544,639</u>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Reconciliation of profit after income tax to net cash flow from operating activities**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Profit after Tax</b>	<b>(1,266,286)</b>	<b>982,901</b>
Depreciation amortisation	1,978,908	1,659,648
Bad debts	16,578	15,000
Share based payment	84,076	-
Share of JV Loss using equity method	118,358	-
Gain on disposals	(5,000)	-
Gain on reversal of earnout provision	(372,000)	-
Gain on Acquisition	(474,644)	-
Gain on loss of subsidiary after income tax	-	(2,693,428)
	<b>79,990</b>	<b>(35,879)</b>
<b>Working Capital</b>		
<b>Movement in current assets</b>		
(increase)/Decrease in trade receivables	(1,074,514)	141,524
(increase)/Decrease in other debtors	621,370	(26,809)
(increase)/Decrease in Prepayments	40,843	(112,476)
(increase)/Decrease in Bonds	(21,314)	7,024
<b>Movement in current liabilities</b>		
increase/(decrease) in trade payables	(991,249)	120,764
increase/(decrease) in other payables	1,077,417	(90,184)
increase/(decrease) in deferred revenue	832,559	(3,679)
<b>Net cash from operating activities</b>	<b>565,102</b>	<b>285</b>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**23 Commitments**

a) Finance Lease Commitments:

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Finance lease - non-cancellable Payable:			
Within one year		21,493	110,180
Later than one year but not later than 5 years		-	32,457
Later than 5 years		-	-
Total future minimum lease payments		<u>21,493</u>	<u>142,637</u>
Total future finance charges		<u>(1,076)</u>	<u>(4,919)</u>
Lease liabilities		<b><u>20,417</u></b>	<b><u>137,718</u></b>
statements as follows:			
Current	<b>13</b>	20,417	106,414
Non-current	<b>13</b>	<u>-</u>	<u>31,304</u>
		<b><u>20,417</u></b>	<b><u>137,718</u></b>

b) Operating Lease Commitments:

		<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Non-cancellable operating leases - future minimum lease payments Payable:			
Within one year		380,428	289,196
Later than one year but not later than 5 years		509,265	812,185
Later than 5 years		-	-
		<b><u>889,693</u></b>	<b><u>1,101,381</u></b>

The operating leases comprise of four property leases with expiry dates ranging from February 2017 to June 2020. Operating leases are paid monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments be increase by the rate of CPI each year.

**24 Auditor's Remuneration**

		<b>Consolidated Group</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Remuneration of the auditor for:			
Auditing or reviewing the financial report		57,950	38,000
Taxation services		<u>39,930</u>	<u>53,380</u>
		<b><u>97,880</u></b>	<b><u>91,380</u></b>

**MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES**

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**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016****25 Parent Entity information**

The following information relates to the parent entity, MSL Solutions Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	<b>2016</b>	<b>2015</b>
	\$	\$
Current assets	514,542	-
Non-current assets	10,467,399	6,425,540
<b>Total assets</b>	<b>10,981,941</b>	<b>6,425,540</b>
Current liabilities		386,840
Non-current liabilities	637,107	1,028,355
<b>Total liabilities</b>	<b>637,107</b>	<b>1,415,195</b>
Contributed equity	21,628,527	15,294,477
Retained earnings	(11,517,768)	(10,434,132)
Reserve	234,076	150,000
<b>Total equity</b>	<b>10,344,835</b>	<b>5,010,345</b>
Profit/loss for the year	(1,083,636)	(1,741,911)
<b>Total comprehensive income for the year</b>	<b>(1,083,636)</b>	<b>(1,741,911)</b>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**26 Business Combinations**

**Acquisition of InfoGenesis Pty Ltd**

On 4 January 2016 MSL Solutions Limited acquired 100% of the issued capital in InfoGenesis Pty Ltd which operates in the golf, clubs and stadiums industry. The acquisition of InfoGenesis Pty Ltd is part of the ongoing strategy to advance the Group's market position and is being supported by long term contracts which will drive significant revenues for the Group.

	Fair Value \$
Cash	1,301,225
PPE	70,507
Income in Advance	(833,927)
Trade Debtors	453,312
Deposits Refundable	24,809
Future Income Tax Benefit	83,885
Intangible assets - Contracts	3,364,868
Employee Provisions	(229,777)
Trade Creditors	(526,316)
GST/Tax	(117,762)
Installments in advance	(65,180)
Accrued expenses	(51,000)
Net assets at acquisition date	<u><b>3,474,644</b></u>
Purchase consideration comprises:	
Cash paid	1,350,000
Upfront share issue	500,000
Deferred cash payments	650,000
Holdback earnout cash	500,000
	<u><b>3,000,000</b></u>
Bargain arising from purchase	<b>474,644</b>

The bargain arising from purchase has been recognised in the Other Income in the Statement of Comprehensive Income (refer to Note 3)

The consideration paid to acquire InfoGenesis Pty Ltd includes \$2,000,000 in cash (\$1,350,000 upon settlement and \$650,000 deferred), 3,225,807 shares at \$0.155 each issued to the vendors of InfoGenesis Pty Ltd. A total of \$650,000 of deferred cash payments are to be paid between the date of acquisition and 31 December 2017. As at 30 June 2016, \$112,500 of these deferred are outstanding with \$75,000 reflected in the current liabilities and \$37,500 reflected in the non-current liabilities.

MSL Solutions Limited is required to pay the previous owners of InfoGenesis Pty Ltd an additional consideration by 31 December 2016 of up to \$500,000 if the net profit of InfoGenesis Pty Ltd exceeded \$1,000,000 in the financial year. The fair value of this contingent payment totaled \$500,000 based on the unaudited management accounts for the financial year.

The Group consider the receivables to be fully recoverable and no provision for impairment is required.

## MSL SOLUTIONS LIMITED and CONTROLLED ENTITIES

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### Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016

Revenue of InfoGenesis Pty Ltd has been included in the consolidated revenue of the Group since the acquisition date on 4 January 2016 amounting to \$2,214,926. Profit of InfoGenesis Pty Ltd included in the consolidated profit of the Group since the acquisition date amounted to \$106,012 after amortisation of the acquired contracts.

Had the results of InfoGenesis Pty Ltd been consolidated from 1 July 2015, revenue of the Group would have been \$13,357,700 and Group profit would have been (\$745,246) for the ended 30 June 2016.

#### Acquisition of Rokit Pty Ltd

On 1 April 2016 MSL Solutions Limited acquire 100% of the issued capital in Rokit Pty Ltd which operates in the golf industry. The acquisition of Rokit Pty Ltd is part of the ongoing strategy to advance the Group's market position and like the purchase of InfoGenesis Pty Ltd is being supported by long-term contracts and an expanded customer base which will provide further revenues to the Group.

	Fair Value
	\$
Cash	3,968
PPE	14,650
Trade Debtors	40,438
Intercompany debt	373,051
Intangible assets - contracts	1,620,951
Deferred Income	(126,958)
Trade Creditors	(6,490)
GST/Tax	(19,610)
Net assets at acquisition date	<u>1,900,000</u>

Purchase consideration comprises:

Cash paid	500,000
Deferred cash payments	225,000
Upfront share issue	250,000
Holdback earnout - cash	350,000
Holdback earnout - shares	575,000
	<u>1,900,000</u>

The consideration paid to acquire Rokit Pty Ltd includes \$725,000 in cash (\$500,000 upon settlement and \$225,000 deferred) 5,322,581 shares at \$0.155 each issued to the vendors of Rokit Pty Ltd.

A total of \$225,000 of deferred cash payments are to be paid between the date of acquisition and 31 December 2018. As at the date of reporting \$200,000 of these deferred are outstanding with \$75,000 reflected in the current liabilities and \$125,000 reflected in the non-current liabilities.

In addition to this, MSL Solutions Limited is required to pay the previous owners of Rokit Pty Ltd additional consideration of up to \$450,000 Cash and \$712,500 in shares over three years if the net revenue of Rokit Pty Ltd exceeds \$400,000, capped at \$550,000, for the calendar years 2016, 2017 and 2018. The fair value of the contingent consideration at acquisition was \$925,000 and was estimated using the "income approach". The acquirees's net revenue expectations were used in

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

determining the undiscounted amounts of the contingent consideration and the full value of this consideration was accounted for. As at 30 June 2016, \$291,550 has been accounted for as a current liability and \$633,450 has been accounted for as a non-current liability. See Note 15 for further information.

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

Revenue of Rokit Pty Ltd included in the Group revenue since the acquisition date on 1 April 2016 amounted to \$190,802. Profit of Rokit Pty Ltd included in the Group profit since the acquisition date amounted to \$12,476 after amortisation of the acquired contracts.

Had the results of Rokit Pty Ltd been consolidated from 1 July 2015, revenue of the Group would have been \$11,737,073 and the Group profit would have been (\$864,255) for the year ended 30 June 2016.

**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 2016 EBITDA for Marketown Media. This target was not achieved and as such an amount of \$372,000 has been released back as gain on reversal of earnout provision that appears in Other Income, refer to Note 3.

**27 Joint Ventures**

Name	Country of incorporation	Equity holding		2016 \$	2015 \$
		2016 %	2015 %		
<i>Unlisted</i> Zuuse Pty Ltd	Australia	30%	49%	-	2,366,253

During the reporting period the investment in Zuuse Pty Ltd was reclassified from an investment in a joint venture to an asset held for sale. Refer to Note 10.

**28 Discontinued operations**

On 29 June 2015, MSL sold down its share of Zuuse Pty Ltd from 66% to 49% and deconsolidated the former subsidiary on that date.

	2016 \$	2015 \$
Revenue	-	366,613
Expenses	-	(1,362,426)
Profit before tax from discontinued operations	-	(995,813)
Tax expense	-	-
Profit after tax from discontinued operations	-	(995,813)
Gain on loss of control of subsidiary	-	2,693,428
Profit for the year from discontinued operations	-	1,697,615

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net cash inflow (outflow) from operating activities	-	(842,610)
Net cash inflow (outflow) from investing activities	-	(46,645)
Net cash inflow (outflow) from financing activities	-	<u>1,616,101</u>
Net cash increase (decrease) generated by discontinued operations	-	726,846

The assets and liabilities of the discontinued Zuuse Pty Ltd at 29 June 2015 are as follows:

	<b>2015</b>
	<b>\$</b>
Cash	675,509
Property, plant and equipment	36,610
Other intangible assets	638,800
Trade receivables	44,137
Other receivables	<u>371,657</u>
<b>Total assets</b>	<u>1,766,713</u>
Trade creditors	23,390
Other payables	64,215
Borrowings	847,403
Provision for employee benefits	<u>68,788</u>
<b>Total liabilities</b>	<u>1,003,796</u>
<b>Net assets</b>	<u><u>762,917</u></u>

The gain on loss of control of subsidiary was calculated as follows:

	<b>2015</b>
	<b>\$</b>
Consideration received/receivable - cash	830,700
Carrying amount of net assets sold	<u>(503,525)</u>
	327,175
Gain on fair valuing of retained investment	<u>2,366,253</u>
<b>Gain on sale before income tax</b>	2,693,428
Income tax expense	0
<b>Gain on sale after income tax</b>	<u><u>2,693,428</u></u>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**29 Dividends**

A dividend of 0.5cents was declared during the financial year ending 30 June 2016.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Ordinary Shares</b>		
Final dividend for year ended 30 June 2015 of 0.5cents per fully paid share was paid on 25 May 2016		
Total Dividends paid or provided for	(401,364)	-
	<u>(401,364)</u>	<u>-</u>

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016

30 Income Tax

	Consolidated	
	2016	2015
	\$	\$
<b>Income Tax</b>		
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Prima facie tax payable - tax at the Australian tax rate - on profit/(loss) before income tax at 30% (2015: 30%):	(345,821)	381,895
<b>Add Tax Effect of:</b>		
Non-deductible expenses	-	14,662
Non-deductible R&D expenses	-	261,900
Taxable gain on sale of investment	-	53,021
Fair value adjustment on gain of sale of investment	-	98,066
Non-deductible entertainment	13,346	-
Amounts brought in on acquisition of Infogenesis and Rockit	389,011	-
Underprovision for income tax in prior year	(55,981)	-
Costs incurred in sale of Zuuse shares	33,116	-
Accounting expenditure subject to R&D tax concession	360,900	-
Share based payments	25,223	-
	<b>419,795</b>	<b>809,544</b>
<b>Less Tax Effect of:</b>		
Estimated R&D concession recorded in P&L	(194,644)	-
Incremental R&D (additional 50%) deduction	-	(134,512)
Previously unrecognised tax losses now recouped to reduce current tax	-	(930,987)
Tax losses transferred from controlled entities	-	255,955
MarketTown Earnout Adjustment	(111,600)	-
	<b>(306,244)</b>	<b>(809,544)</b>
Income tax expense / (benefit) attributable to profit before income tax	<b>113,551</b>	-
<b>(b) The components of tax expense comprise:</b>		
Current tax	-	248,723
Deferred tax	(219,479)	(248,723)
Recoupment of prior year tax losses	-	-
Under/ Overprovision for tax in prior years	333,030	-
	<b>113,551</b>	<b>-</b>

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**31 Events after the Balance Sheet Date**

There were no significant post balance date events.

**32 Contingent Liabilities**

There are no contingent liabilities at 30 June 2016

**33 Company Details**

**Registered office**

The registered office of the company is:

MSL Solutions Limited  
17 Guthrie Street  
Paddington, QLD, 4064R

**Principal place of business**

The principal places of business is:

MSL Solutions Limited  
17 Guthrie Street  
Paddington, QLD, 4064

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Directors Declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 60, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the director's opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



R W Holzgrefe



C G Kinross

Dated: 14 October 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of MSL Solutions Limited

### Report on the Financial Report

We have audited the accompanying financial report of MSL Solutions Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

## Independence

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

## Opinion

In our opinion:

- (a) the financial report of MSL Solutions Limited is in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 20X6 and of its performance for the year ended on that date; and
  - (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**BDO Audit Pty Ltd**

BDO



**A J Whyte**

Director

Brisbane: 14 October 2016

**Notes to the Consolidated Financial Statements for the Year Ended 30 June 2016**

**Additional Information**

All shares have equal voting rights.

The percentage of the total holdings held by or on behalf of the twenty (20) largest shareholders was 62.61%.

The total number of ordinary shares on issue at 16 September 2016 was **123,761,303**

Number and distribution of shareholders:

	<u>No. Holders</u>
1-1,000	0
1,001-10,000	0
10,001-100,000	19
100,001-1,000,000	81
1,000,001 -	<u>28</u>
<b>Total</b>	<b>128</b>

**Top 20 shareholders as at 16 September 2016**

<b>Holder</b>	<b>Shares</b>	<b>%</b>
HOLZGREFE HOLDINGS PTY LTD	14,578,993	11.87%
LOVAT PTY LTD	11,705,783	9.53%
JAMBET DOWNS PTY LTD	8,707,376	7.09%
RUPERT DALY	7,638,461	6.22%
GLG HOLDINGS PTY LTD	3,750,000	3.05%
BROOKFIELD SUPERANNUATION PTY	3,250,000	2.65%
GOANNA SUPER PTY LTD	2,600,000	2.12%
GWH SMSF PTY LTD	2,580,645	2.10%
WANDOMOUNT PTY LTD	2,307,692	1.88%
AOYEAROA INVESTMENT COMPANY	2,258,064	1.84%
RADELL PTY LTD	2,258,064	1.84%
LUAGA PTY LTD	2,258,064	1.84%
T B I C PTY LTD	2,024,000	1.65%
VP INVESTMENTS PTY LTD	1,900,000	1.55%
JUSTIN LLOYD REYNOLDS	1,612,903	1.31%
ANNETTE WRIGHT	1,612,903	1.31%
NUSA MIRAGE PTY LTD	1,500,000	1.22%
MARK JAMES SHERWOOD	1,476,426	1.20%
WATTLELEA PTY LTD	1,462,778	1.19%
MR THEO JOHN RUSSELL COOPER &	1,400,000	1.14%