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ASX Release
MGM Wireless Ltd
Friday August 29, 2014

New products drive MGM Wireless to Record Profit

Highlights of the year include:

- Revenue increased 8% to $3,267,253 (2013: $3,023,144).
- Pre-tax profit increased 38% to $965,846 (2013: $700,828)
- Net profit increased 9% to $717,541 (2013: $657,835)
- Cash balance increased 105% to $1,077,840 (2013: $526,854)
- Customer base of operational schools grew by 15.7% to a total of 1,088 schools (2013: 940)
- MGM Pinpoint successfully launched
- Strong growth in MGM RollMarker Sales
- Dividend of 1.1 cent per share declared (2013: 1.0c)

The Directors of school communications group MGM Wireless (ASX:MWR) are pleased to report that the company achieved a net profit of $717,541 – an increase of 9% on $657,835 the previous year. The net profit result was affected by a significant increased tax expense of $205K, up 477% on the previous year, a notional non-cash cost associated with the issue of options to Directors after last year's AGM of $107K and a reduction in amortisation to $498K.

A record pre-tax profit of $965,846 for the year ended 30 June 2014 was achieved, up 38% on the previous year. This was the company's fourth consecutive year of rising profits.

The solid result was achieved from an 8% increase in revenue to $3.27 million and after continued substantial spending on research and development which exceeded $1.46m; up from $1.4m in 2013. The company's commitment to R&D included ongoing investment in our leading edge student safety product, MGM Pinpoint, and a range of other new products for market release. The R&D tax offset rebate declined due to a rise in non-claimable expenditure.

MGM Wireless continued to develop the market for its product base, with continued new school signings and strong sales of MGM RollMarker in the most recent quarter. SMS message traffic continued to expand, rising 14% year on year.

Australian SMS prices increased during the year in review. MGM Wireless has sought to limit the effect of these price increases on our school client base, however these charges have now been passed on in full, with some impact on margins across the year. Starting in February 2014, the company formulated and released a new and innovative approach to SMS pricing plans, which resulted in the successful market acceptance of these price increases.

To reflect the maturing of the company's business development, the Board has performed an assessment of the useful life of its product base (which is comprised of capitalised R&D). In the current year, the company has capitalised $567,719 of the total of its $1.26M of claimable R&D expenditure, and has assessed the useful lives of the associated products to be three years. As such, the company plans to amortise this amount over a three-year period. Offsetting part of this effect was an amortisation charge of $44K to Distribution Rights, currently being recorded at a value of $441,017. The company plans to amortise the full amount over its 10-year useful life.

"MGM Wireless has invested heavily in technology over the past decade and we feel it appropriate that some of the ongoing value of this investment should be reflected on the balance sheet," commented MGM Wireless executive chairman, Mr Mark Fortunatow.

EBITDA was affected by these changes, resulting in a 16% decrease to $1,154,683 (2013: $1,384,563). Over the next year, we expect the effective tax rate to reach 30% as the carried forward losses are expected to be fully utilised, however, the company will generate franking credits as tax payments are made.

Net cash flow from operations jumped from $0.91M in 2012-13 to $1.06M in 2013-14, resulting in a large increase in cash balances, to $1.08M, as at 30 June 2014. This solid result was achieved after payment of a maiden Dividend ($83,691) and cash acquisition cost for PaySchool assets ($46,000). These cash balances offset shareholder loans to the company, the company's only debt, of $200K (down from $300K as at 30 June 2012). In view of the stronger than expected financial results and the large cash balances, the Directors have resolved to declare an unfranked dividend of 1.1 cent per share, for the year ended 30 June 2014.

Strong program of innovation

"We continue to build our business though a strong program of innovation based on recurring revenue business models," Mr Fortunatow said. "We have a growing portfolio of exciting products, all of which complement each other in terms of workflow and data exchange. Our large, diversified and profitable customer base continues to grow, and our significant investments in R&D remain fully internally funded. We are pleased to be able to again declare a dividend which is reflective of the Board's ongoing confidence in the business.

"Our organisational capability to develop and commercialise innovative leading products is truly impressive. In particular, over the past six months we were pleasantly surprised with the surge in market enthusiasm and sales of RollMarker – a product that we have been working on for almost four years. Suddenly this year, the market began to understand the unique capabilities RollMarker offers, and the interest, sales and enthusiasm from clients has been outstanding.

"The number of contracted school and child care centre clients was 1,124, a 7% increase from 1,053 over the year earlier. However, this indicator doesn't reveal an important underlying trend of the company achieving a higher revenue per customer. Demand for the company's leading products continues to expand – Outreach and messageyou typically achieve a $2K-$7K per annum revenue return, however RollMaker's typical revenue yield is $7K-$13K per annum."

Reflective of the Board's assessment of the useful lives of its product base, for the six months to June 30, 2014, EBITDA was down by 30% to $669,124 (2013: $955,098) with an increase in net profit by 30% to $585,063 (2013: $448,656), and for the same period the company grew its customer base of operational schools by 44 new schools, as compared to an increase of 71 schools for the six months to June 30, 2013.

In February 2014, the company launched MGM Pinpoint – an App that works with MGM's messageyou and Outreach SMS messaging solutions to allow parents to instantly locate their child if they are in danger or absent from school. Approximately 1,700 parents have since installed and used this service. The feedback from Parents and schools has been very positive, with requests for important additional functionality, which the company is currently developing. We expect to release an upgraded MGM Pinpoint version later this year.

Our acquisition of the PaySchool product announced in April 2014 has been completed. The company has developed a marketing and sales approach to release this solution to both existing and new clients, however some important additional functionality and integration with our current portfolio of products is first required.

Innovation and commercialisation of a market-leading suite of products remain the key drivers of the company's success. MGM Wireless is aggressively expanding its product portfolio and is leveraging the

opportunity afforded by cloud and smartphone technologies, as can be seen with the recent stunning success of MGM RollMarker and the expected success of MGM Pinpoint in due course.

These new product releases are diversifying the company's revenue base and transforming MGM Wireless from a communications focus to a broader range of products for student safety, parent engagement and productivity improvements for school staff. Productivity improvements from MGM products lead to a sustainable increase in school funding – a key outcome all schools are trying to achieve.

Through 2014-15, the company will continue to progressively release a number of important upgrades to existing products and will launch new products for both schools and parents. Parents have demonstrated time and again their desire to be well engaged with their child's school and seek more and more information on their activities, progress and security. It's a well-accepted principle that learning outcomes improve when parents are informed and engaged in their child's school activities.

Smartphones and tablets are great technology enablers that have the potential to engage parents and significantly improve teacher and school staff productivity. MGM Wireless is developing apps to help both schools and parents communicate and perform more effectively.

Mark Fortunatow added:

"The opportunity for MGM in the school and childcare markets is significant. Our new products are broadening our revenue base. Streamlining existing school business process with today's technology to reduce school costs and improve educational outcomes for students is a great potential revenue opportunity for MGM."

About MGM Wireless Ltd and Messageyou, LLC

MGM Wireless is recognised in Australia and internationally as a pioneer of socially responsible technology-enabled school communications with a proven track record to design, develop and successfully commercialise innovative world-class technology products.

The company's patented SMS School communication solutions empower schools to effectively communicate to parents and caregivers using SMS text messaging to improve student attendance, welfare, safety and parent engagement. Measurable benefits for schools include reduced operating costs, increased productivity and improved parent and community engagement, which ultimately improve student learning and social outcomes.

Schools in Australia and New Zealand use messageyou software in their day to day operations.

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Appendix 4E
Preliminary Final Report
Under Listing Rule 4.3A

MGM Wireless Limited

(ABN 93 091 351 530)
Year Ending 30 June 2014
(Previous corresponding period – Year ending 30 June 2013)

Leaders in school-parent communication™

Appendix 4E
Preliminary Final Report

MGM Wireless Limited
(ABN 93 091 351 530)
Year Ending 30 June 2014
(Previous corresponding period – Year ending 30 June 2013)

Results for announcement to the market

			$
Revenue from ordinary activities	Up 8%	to	3,267,253
Profit/(loss) from ordinary activities after tax attributable to members	Up 9%	to	717,541
Net Profit/(loss) for period attributable to members	Up 9%	to	717,541

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	1.1¢	Nil¢
Previous corresponding period	1.0¢	Nil¢
Record date for determining entitlements to dividends	September 22,2014	
Date dividend payable	November 10, 2014	

Net tangible asset backing	30 June 2014	30 June 2013
Net tangible asset backing per ordinary security	$0.17	$0.13

Control gained or lost over entities during the period	
Name of entity	Not applicable
Date of gaining or losing control	Not applicable
Amount per security (foreign sourced dividend)	Nil
Dividends or distributions to shareholders	1.1¢ dividend declared
Dividend or distribution reinvestment plan details	Not applicable
Joint venture and associate details	Not applicable
Foreign entities' accounting standards used	Not applicable

Explanation of results

Refer to commentary in attached report
MGM Wireless Limited

Commentary on Results
For the Year Ended 30 June 2014

MGM Wireless Ltd is pleased to report that during the period, the Company achieved its previously stated goals of maintaining and improving revenue growth whilst simultaneously improving operations to increase profit, improve cash flow and strengthen its balance sheet.

During the year ended 30 June 2014, the Company continued its initiatives to underpin accelerated growth in the medium and long term. Specifically, spending on research and development was significant at $1.46 million (2013: $1.4 million) and there was continued high investment in the Company's sales and marketing capability. Research and development spending was directed at both existing products, to ensure that they are able to sustain their position as market leaders, and new products which will open new avenues for revenue generation.

The Board has performed an assessment of the useful life of its product base (which is comprised of capitalised R&D). In the current year, the company has capitalised $567,719 of the total of its $1.26M of claimable R&D expenditure, and has assessed the useful lives of the associated products to be three years. As such, the company plans to amortise this amount over a three-year period. Offsetting part of this effect was an amortisation charge of $44K to Distribution Rights, currently being recorded at a value of $441,017. The company plans to amortise the full amount over its 10-year useful life.

EBITDA was affected by these changes resulting in a 16% decrease to $1,154,683 (2013: $1,384,563). Over the next year, we expect the effective tax rate to reach 30% as the carried forward losses are expected to be fully utilised, however, the company will generate franking credits as tax payments are made.

Key financial results for the year include:

1. Revenue for the full year was 8% higher at $3,267,253 (2013: $3,023,144).
2. Net profit increased 9% to $717,541 (2013: $657,835)
3. Cash balance increased 105% to $1,077,840 (2013: $526,854)
4. EBITDA decreased 16% to $1,154,683 (2013: $1,384,563)
5. Customer base of operational schools increased by 15.7% to a total of 1,088 schools (2013: 940).
6. Customer base of contracted schools increased by 7% to a total of 1,124 schools (2013: 1053).
7. For the six months to June 30, 2014 EBITDA of $669,124 (2013: $955,098) with a net profit of $585,063 (2013: $448,656).
8. For the six months to June 30, 2014, the company grew its customer base of operational schools by 44 new schools, as compared to an increase of 71 schools for the six months to June 30, 2013.

Balance Sheet

The company improved its net asset position by $898,806 from $2,158,200 as at 30 June 2013 to $3,057,006 as at 30 June 2014.

The Company is pleased with the progress achieved in 2014. The company is well positioned for the future, with ongoing profitable operations from existing products and new revenue opportunities and further associated profit growth potential with the release of its new products later this year.

Consolidated statement of comprehensive income

	Notes	Group Year Ended 30/06/2014 $	Group Year Ended 30/06/2013 $
Continuing Operations			
Revenue	2	3,267,253	3,023,144
Cost of sales		(293,969)	(94,764)
Doubtful debts		(713)	7,389
Borrowing costs		(16,719)	(26,789)
Amortisation & depreciation		(172,119)	(656,946)
Consulting fees		(99,537)	(78,695)
Corporate and administration		(349,668)	(187,970)
Employee costs		(1,368,682)	(1,284,541)
Profit before tax		965,846	700,828
Income tax expense	3	(248,305)	(42,993)
Profit for the year from continuing operations		717,541	657,835
Profit for the year		717,541	657,835
Other comprehensive income			
Exchange differences on translating foreign operations		-	-
Transfer to foreign currency reserve		-	-
Other comprehensive income net of tax		-	-
Total comprehensive income for the year		717,541	657,835
Profit attributable to:			
Owners of the Company		717,541	657,835
Total comprehensive income attributable to:			
Owners of the Company		717,541	657,835
Note 5.2 details profit by segment.			
Earnings per share From continuing and discontinued operations:			
Basic (cents per share)	4	8.49	8.14
Diluted (cents per share)	4	8.33	8.14
From continuing operations			
Basic (cents per share)	4	8.49	8.14
Diluted (cents per share)	4	8.33	8.14

Consolidated statement of financial position

	Notes	Group As At 30/06/2014 $	Group As At 30/06/2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,077,840	526,854
Trade and other receivables	7	685,763	483,331
Other	8	574,186	651,267
Total Current Assets		2,337,789	1,661,452
Non-Current Assets			
Property, plant and equipment	10	201,485	194,530
Intangibles	11	1,570,456	1,063,240
Total Non-Current Assets		1,771,941	1,257,770
Total Assets		4,109,730	2,919,222
LIABILITIES			
Current Liabilities			
Trade and other payables	12	451,812	429,666
Borrowings	13	-	-
Provisions		190,301	88,363
Current tax liabilities	3.1	210,611	42,993
Total Current Liabilities		852,724	561,022
Non-Current Liabilities			
Borrowings	13	200,000	200,000
		200,000	200,000
Total Liabilities		1,052,724	761,022
Net Assets		3,057,006	2,158,200
EQUITY			
Parent entity interest:			
Issued capital	15	7,376,993	7,195,825
Reserves	16	307,735	225,375
Accumulated losses	17	(4,627,722)	(5,263,000)
		3,057,006	2,158,200
Outside equity interest:			
Issued capital		-	-
Accumulated losses		-	-
		-	-
Total Equity		3,057,006	2,158,200

Consolidated statement of changes in equity

Consolidated	Issued Capital $	Accumulated Losses $	Option Issue Reserve $	Foreign Currency Translation Reserve $	Total Equity $
At 30 June 2012	7,010,826	(5,920,969)	170,808	5,973	1,266,638
Profit attributable to members	-	657,835	-	-	657,835
Shares issued to directors	159,999	-	-	-	159,999
Shares issued to investors	25,000	-	-	-	25,000
Options issued to directors	-	-	54,241	-	54,241
Currency translation differences	-	134	(5,647)	-	(5,513)
At 30 June 2013	7,195,825	(5,263,000)	219,402	5,973	2,158,200
Profit attributable to members	-	717,541	-	-	717,541
Payment of dividends		(83,691)			(83,691)
Shares issued to directors	159,968	-	-	-	159,968
Share issue costs	(10,500)	-	-	-	(10,500)
Shares issued in acquisition of intangible assets	31,700	-	-	-	31,700
Options issued to directors	-	-	107,340	-	107,340
Options exercised by directors	-	-	(30,737)	-	(30,737)
Currency translation differences	-	1,428	5,757	-	7,185
At 30 June 2014	7,376,993	(4,627,722)	301,762	5,973	3,057,006

Consolidated statement of cash flows

	Notes	Group Year Ended 30/06/2014 $	Group Year Ended 30/06/2013 $
Cash flows from operating activities			
Profit (loss) for the year		717,541	657,835
Amortisation		144,503	642,000
Non-cash salaries		-	-
Depreciation		27,616	14,946
Doubtful debts provision		713	(7,389)
Income tax expense recognised		221,143	42,993
		1,111,516	1,350,385
Movements in working capital:			
(Increase) / decrease in trade and other receivables		(203,144)	(113,212)
(Increase) / decrease in other assets		77,081	-
Increase / (decrease) in trade and other payables		(32,019)	(102,875)
Increase / (decrease) in provisions		101,937	4,974
Decrease in unearned revenue		-	(229,714)
Net cash generated from / (used in) operations		1,055,371	909,558
Cash flows from investing activities			
Payments for plant and equipment		(34,572)	(43,569)
Payments for intangible assets		(44,000)	-
Payment for research and development		(567,719)	(642,000)
Net cash provided / (used) by investing activities		(646,291)	(685,569)
Cash flows from financing activities			
Proceeds from issue of shares		159,967	184,999
Costs associated with the issue of shares		(10,500)	-
Payment of dividends		(83,691)	-
Proceeds from borrowing		-	(100,000)
Non cash movement of Retained Earnings		64,347	48,727
Net cash provided / (used) by financing activities		30,737	-
		160,860	133,726
Net increase / decrease in cash held		569,950	357,715
Cash at the beginning of the year		526,854	169,139
Effect of exchange rate changes		(18,954)	-
Cash at the end of the year	6	1,077,840	526,854

MGM Wireless Limited
Notes to the Financial Statements for the Year Ended 30 June 2014

1. Significant Accounting Policies

Statement of Compliance
The Appendix 4E preliminary final report has been prepared in accordance with ASX listing rules and the recognition and measurement criteria of Accounting Standards and interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards.

Basis of Preparation
The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the company's 2014 annual financial report.

	Group Year Ended 30/06/2014 $	Group Year Ended 30/06/2013 $
2. Revenue		
The following is an analysis of the Group's revenue for the year from continuing operations.		
Revenue		
Sales revenue	2,698,473	2,381,144
R&D tax incentive revenue	568,780	642,000
Total revenue	3,267,253	3,023,144
Note 5.2 details revenue by segment		
3. Income Tax		
3.1 Income tax expense		
The income tax expense for the year differs from the prima facie tax as follows:		
Profit / loss for the year	965,846	700,828
Prima facie tax benefit at 30% (2013, 30%)	289,754	210,248
Non-assessable items	(247,366)	(276,707)
Non-deductible items	395,726	690,540
Deferred tax assets not brought to account	(227,322)	(581,088)
	210,793	42,993
Adjustments recognised in the current year in relation to the current tax of prior years	37,513	-

	Group Year Ended	
	30/06/2014	30/06/2013
	$	$
3.2 Deferred tax asset		
Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility occur:	275,816	275,428
4. Earnings per share		
Basic earnings per share		
From continuing operations (cents per share)	8.49	8.14
From discontinued operations (cents per share)	0.00	0.00
Total basic earnings per share (cents per share)	8.49	8.14
Diluted earnings per share		
From continuing operations (cents per share)	8.33	8.14
From discontinued operations (cents per share)	0.00	0.00
Total diluted earnings per share (cents per share)	8.33	8.14
4.1 Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.		
Net profit / (loss) for the year attributable to owners of the Company	717,541	657,835
Earnings used in the calculation of total basic earnings per share	717,541	657,835
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	-
Earnings used in the calculation of basic earnings per share from continuing operations	717,541	657,835
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	8,451,465	8,081,208

	Group Year Ended	
	30/06/2014	30/06/2013
	$	$
4.2 Diluted earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows.		
Net profit / (loss) for the year attributable to owners of the Company	717,541	657,835
Earnings used in the calculation of total diluted earnings per share	717,541	657,835
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	-	-
Earnings used in the calculation of diluted earnings per share from continuing operations	717,541	657,835
Weighted average number of ordinary shares for the purposes of diluted earnings per share (all measures)	8,615,353	8,081,208

5. Segment Revenues and Results

5.1 Products and services from which reportable segments devise their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of services delivered or provided. In the current and previous financial years, the Group has only operated in one business sector and reporting to management has been on a geographical basis.

The Group operates predominately in one business segment being the provision of school messaging services and internet related services. The Group functions with a subsidiary operating in each geographical segment. Each company represents a strategic business unit that offers different risks and rates of returns. This is the basis by which management controls and reviews the operations of the Group.

No operations were discontinued during the current financial year.

5.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue Year Ended		Segment profit Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
MGM Wireless Holdings	3,221,046	3,005,993	702,546	662,712
MGM Wireless	-	-	-	-
USA Message YOU LLC	-	-	(5,334)	(5,440)
NZ MGM Wireless (NZ) Pty Ltd	46,207	17,151	20,329	563
Total for Continuing Operation	3,267,253	3,023,144		
Profit before tax (continuing operations)			717,541	657,835

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

The segment result for NZ and the USA represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment revenue, finance costs and income tax expense. These costs are routinely considered to be part of the Australian operations. This is the basis on which segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5.3 Segment assets and liabilities

	Assets Year Ended		Liabilities Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
MGM Wireless Holdings	4,010,708	2,852,943	1,030,794	744,542
MGM Wireless	250	1,000	-	
USA Message YOU LLC	-	-	10,917	11,259
NZ MGM Wireless (NZ) Pty Ltd	98,772	65,279	11,013	5,221
Consolidated Assets	4,109,730	2,919,222		
Consolidated Liabilities			1,052,724	761,022

Each segment's assets and liabilities are accounted for within their own entity. Other assets and liabilities are retained within the Australian entity. General intellectual property is retained by the parent company.

5.4 Other segment information

	Depreciation and amortisation Year Ended		Additions to non-current assets Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
MGM Wireless Holdings	172,119	656,946	34,571	43,570
MGM Wireless	-	-	-	-
USA Message YOU LLC	-	-	-	-
NZ MGM Wireless (NZ) Pty Ltd	-	-	-	-
Depreciation and Amortisation	172,119	656,946		
Additions to Non-Current Assets			34,571	43,570

5.5 Geographical Information

l revenues in New Zealand result from the Group's preferred supplier status (1 of 3 companies) to New Zealand Government's Early Notification initiative whereby the Government funded the first year's license fees for all eligible schools.

5.6 Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

6. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Cash & cash equivalents

	Group	
	30/06/2014	30/06/2013
	$	$
Cash and bank balances	1,077,840	526,854

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Trade and Other Receivables

7.1 Trade and other receivables	Group 30/06/2014 $	Group 30/06/2013 $
Current		
Trade receivables	705,350	502,205
Provision for doubtful debts	(19,587)	(18,874)
	685,763	483,331

Trade and other receivables have been reviewed and Provision for potential Doubtful Debts of $19,587 has been established. No further impairment loss is considered necessary.

	Group 30/06/2014 $	Group 30/06/2013 $
Non-current		
Amount owed by controlled entities	-	-
Provision for impairment	-	-
	-	-

Terms and conditions relating to the above financial instruments:

- Trade debtors are non-interest bearing and generally repayable in the range within 30-180 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
-Transactions between the parent entity and its subsidiary consist of intercompany loans, upon which no interest is charged and no repayment schedule exists. The fair value approximates the carrying value of the receivable.

7.2 Past due but not impaired trade receivables

As at 30 June 2014, trade receivables of $356,759 (2013: $89,729) were past due but not impaired. These relate to a number of recent accounts where there is no recent history of default.

	Group 30/06/2014 $	Group 30/06/2013 $
Past due 0-30 days	34,293	3,676
Past due 31-90 days	35,889	6,215
Past due over 91 days	286,577	79,838
	356,759	89,729
Movement in the provision for doubtful debts		
Balance at the beginning of the year	(18,874)	(27,332)
Amounts recovered during the year	-	11,757
(Increase)/Decrease in provision attributable to new sales	(713)	(3,299)

Balance at the end of the year	(19,587)	(18,874)

8. Other Current Assets

R&D tax incentive	568,221	642,000
Prepayments	5,715	8,059
Sundry debtors	250	1,208
	574,186	651,267

9. Other Financial Assets

Non-current

Shares in unlisted controlled entities	-	-
Provision for impairment	-	-
	-	-

Unlisted Controlled Entity	Date of Acquisition	Country of Incorporation	Class of Shares	Cost of Parent Entities Investment 30/06/2014 $
MGM Wireless Holdings Pty Ltd	8/10/2003	Australia	Ordinary	767,000
Message You LLC	11/09/2006	USA	Ordinary	124,440
MGM Wireless (NZ) Pty Ltd	18/05/2010	Australia	Ordinary	80
				891,520

The equity holding in all companies is 100%

10. Plant, Equipment and Leasehold Improvements

	Plant and Equipment $	Leasehold Improvements $	Total $
Balance at 30 June 2012	414,235	127,237	541,472
Additions	6,621	36,949	43,570
Disposals	-	-	-
Balance at 30 June 2013	420,856	164,186	585,042
Additions	16,150	18,421	34,571
Disposals	-	-	-
Balance at 30 June 2014	437,006	182,607	619,613

10. Plant, Equipment and Leasehold Improvements (continued)

Accumulated depreciation and impairment

Balance at 30 June 2012	(320,056)	(55,510)	(375,566)
Amortisation/Depreciation expense	(11,060)	(3,886)	(14,946)
Eliminated on disposal of assets	-	-	-
Balance at 30 June 2013	(331,116)	(59,396)	(390,512)
Amortisation/Depreciation expense	(15,788)	(11,828)	(27,616)
Eliminated on disposal of assets	-	-	-
Balance at 30 June 2014	(346,904)	(71,224)	(418,128)
		Written Down Value	201,485

10.2 Impairment losses recognised in the year

The following useful lives are used in the calculation of depreciation.

Plant and Equipment 5 years
Leasehold Improvements 10 years

The useful lives used in the calculation of depreciation were considered appropriate estimations of expense allocations in the period. An assessment of the remaining net values was also deemed an appropriate estimation of the remaining useful life of the items with no provision for impairment required.

	Group	
	30/06/2014	30/06/2013
	$	$
At cost	3,205,093	2,646,259
Accumulated amortisation and impairment	(1,634,637)	(1,583,019)
Carrying Value	1,570,456	1,063,240

Cost	Intellectual Property Message You $	Distribution Rights $
Balance at 30 June 2012	766,000	441,017
Additions from internal developments	-	-
Disposals	(766,000)	-
Balance at 30 June 2013	-	441,017
Additions from internal developments	-	-

Disposals	-		-
Balance at 30 June 2014	-		441,017
Accumulated amortisation and impairment			
Balance at 30 June 2012	(766,000)		(848,134)
Amortisation	-	-	(642,000)
Disposal	766,000	-	-
Balance at 30 June 2013	-	-	(1,490,134)
Amortisation	-	(44,102)	(100,401)
Disposal	-	-	-
Balance at 30 June 2014	-	(44,102)	(1,590,535)
Carrying Value	-	396,915	1,173,541

11. Intangible Assets (cont.)

Other than 'Distribution Rights', the remaining value of Intangible assets have finite useful lives considered to be 5 years.

The current amortisation charges for these intangible assets are included under depreciation and amortisation expense in the Statement of Comprehensive Income. The useful life of intangible assets and impairment considerations of intangibles are subject to management estimates and judgements.

Distribution rights have arisen from the acquisition of territory rights from former distributors. These assets have provided the Company the right to operate in the respective territories. The income from those territories, WA, SA, Queensland, Victoria and Tasmania, is the major part of MGM Wireless's income. As the amount of income in respect of these distribution rights has not decreased in any of the territories since acquisition, the Board is of the opinion that the value of the assets remain unchanged and no amortisation is appropriate.

12. Trade and Other Payables

	Group	
	30/06/2014	30/06/2013
	$	$
Trade creditors and accruals:		
Other corporations	235,336	210,294
Directors and director related entities	-	-
Tax liability	131,077	139,568
Accrued SMS charges	80,173	74,578
Unearned revenue - licence fees	5,226	5,226
	451,812	429,666

Terms and conditions relating to the above financial instruments:
- Trade creditors and accrued charges are non-interest bearing and normally settled on terms between 30-180 days.

- Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.
- Unearned or deferred revenue represents annual license fees charged under purchase contracts.

	30/06/2014	30/06/2013
	$	$
13. Borrowings		
Current	-	-
Unsecured loans from related parties	-	-
Secured loans other	-	-
Non - Current		
Unsecured loans from related parties	200,000	200,000

	Group	
	30/06/2014	30/06/2013
14. Provisions	$	$
Current		
Employee benefits	190,301	88,363
Movement in provisions		
Opening	88,363	83,389
Amounts provided	116,839	38,917
Amounts used	(14,901)	(33,943)
Closing balance	190,301	88,363
Number of employees	17	16

The provision for employee benefits represents annual leave and long service leave entitlements accrued.

15.1 Issued and paid up capital	Group 30/06/2014 $	Group 30/06/2013 $
Ordinary shares, fully paid	7,376,993	7,195,825
(30 June 2014: 8,567,414, 30 June 2013: 8,359,110)		

15.2 Fully paid ordinary shares	Group Number of Shares	Group Share capital $
Balance as at 30 June 2012	7,992,441	7,010,826
Shares issued to Directors	266,669	159,999
Shares issued to Investors	100,000	25,000
Balance as at 30 June 2013	8,359,110	7,195,825
Shares issued to Directors	180,000	149,468
Shares issued to Payschool vendors	28,304	31,700
Balance as at 30 June 2014	8,567,414	7,376,993

15.3 Share options

At 30 June 2014 there were options over 470,000 (2013: 300,000) ordinary shares of the Company.

Details of these options and movement since 30 June 2013 follow:

Expiry Date	Exercise Price	Number	Expired	New	Closing
30/04/2016	$0.70 each	-	-	130,000	130,000
30/04/2017	$1.60 each	-	-	310,000	310,000
27/08/2018	$1.10 each	-	-	30,000	30,000
		-	-	470,000	470,000

Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

16. Reserves

	Group	
	30/06/2014	30/06/2013
	$	$
Option issue reserve	301,762	219,402
Foreign currency translation reserve	5,973	5,973
	307,735	225,375

	Option Issue Reserve	Foreign Currency Translation Reserve
Balance as at 30 June 2012	170,808	5,973
Options issued	54,241	-
Currency translation differences	(5,647)	-
Balance as at 30 June 2013	219,402	5,973
Options issued	107,340	-
Options exercised	(30,737)	-
Currency translation differences	5,757	-
Balance as at 30 June 2014	301,762	5,973

Nature and purpose of reserve
The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

The foreign currency translation reserve is used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries and is recognised directly in the Statement of Comprehensive Income before accumulation in this reserve.

17. Retained earnings

	Group	
	30/06/2014	30/06/2013
	$	$
Retained Earnings/(Accumulated losses)	(4,627,722)	(5,263,000)
Balance at the beginning of the year	(5,263,000)	(5,920,969)
Net profit / (loss) attributable to members	717,541	657,835
Payment of dividends	(83,691)	-
Currency translation	1,428	134
Adjusted accumulated depreciation	-	-
Balance at the end of the year	(4,627,722)	(5,263,000)

18. Subsequent Events

On 7 July 2014, the Directors of MGM Wireless appointed media and IT specialist Leila Henderson as a Non-Executive Director to the Board. Leila Henderson holds no shares or options in the Company as at the date of authorising these financial statements for issue (29 August 2014). Except for as disclosed above, there has not been any matter or circumstance that has arisen since 30 June 2014, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

19. Status of Audit or Review

The statutory financial statements of the consolidated entity are in the process of being audited.



Signed: Mark Fortunatow
Director