

**M-POWER MSL**



**ANNUAL REPORT 2017**

## PERFORMANCE HIGHLIGHTS 2017

**A\$23.7m**  
REVENUE

▲ UP 110%

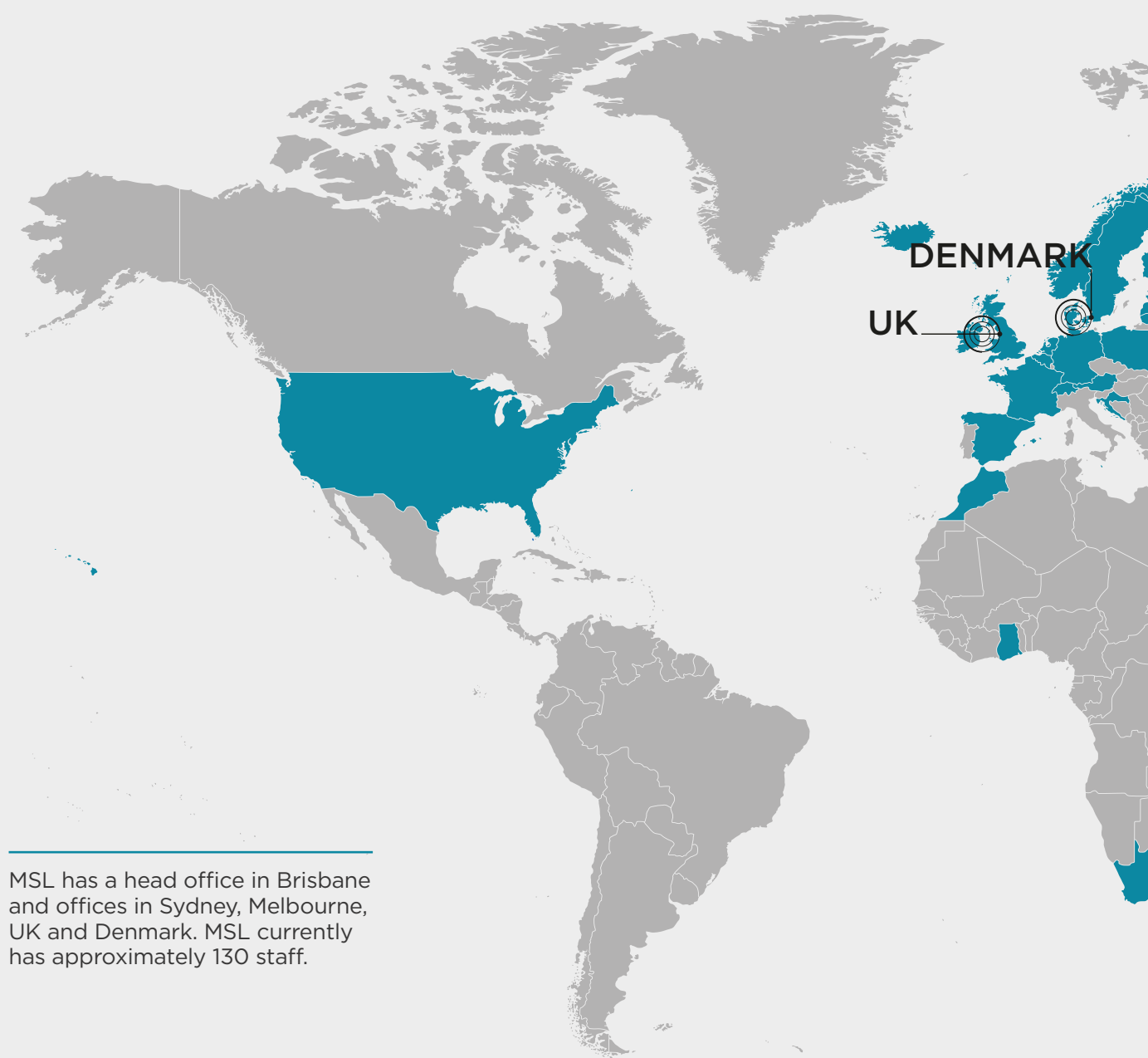
**A\$2.5m**  
NPATA

▲ UP 194%

**A\$1.6m**  
EBITDA

▲ UP 243%

Result before significant one-off income and expense items outlined in note 5 of the financial statements.



MSL has a head office in Brisbane and offices in Sydney, Melbourne, UK and Denmark. MSL currently has approximately 130 staff.

MSL is a global provider of hosted, software as a service (SaaS) and on-site deployed solutions to clients in the following key segments in the sport, leisure and hospitality sectors:

- › Golf clubs and associations;
- › Registered clubs;
- › Stadia and arenas; and
- › Other hospitality and entertainment venues

**2,000+**  
CLIENTS

**20+**  
COUNTRIES



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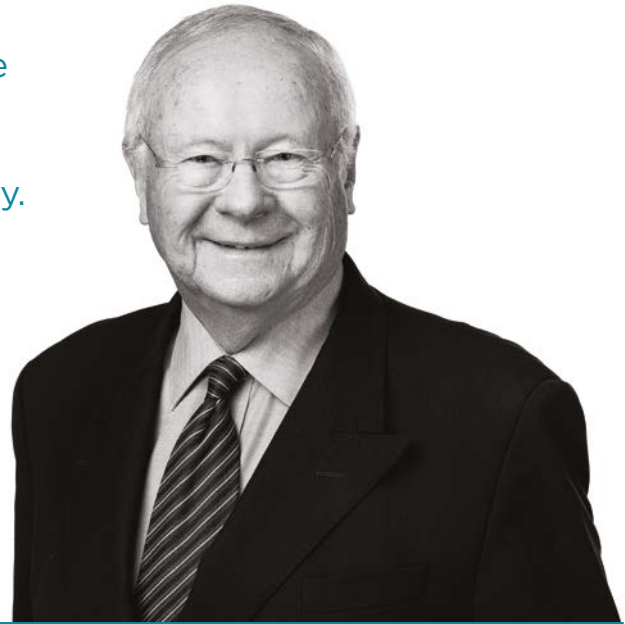


## CHAIRMAN'S REPORT



On behalf of the Board it is my pleasure to present the annual report for fiscal year 2017. The highlight being our successful listing on the ASX on 4th May. Formalising our position in the capital market is always an exacting and time consuming activity and pleasingly, the Company has been able to deliver on its strategic growth objectives.

**John Down**  
Chairman



On behalf of the Board it is my pleasure to present the annual report for fiscal year 2017. The highlight being our successful listing on the ASX on 4th May. Formalising our position in the capital market is always an exacting and time consuming activity and pleasingly, the Company has been able to deliver on its strategic growth objectives.

Notwithstanding the fact that significant one-off items relating to our listing and acquisitions have impacted this year's result, as detailed in the Managing Directors report the Company is well poised to achieve its 2018 forecast.

In March 2017 Kaylene Gaffney joined our board as an independent Non-Executive Director and Chair of the Audit and Risk Committee. David Trude also joined our board in March 2017 as an independent Non-Executive Director and Chair of the Remuneration Committee. Both Kaylene and David have significant software and listed company experience.

During the year, the Company has strengthened its governance practices, and processes. These are described in our 2017 Corporate Governance Statement.

MSL has a solid foundation to execute on future growth opportunities both organically and through acquisition. The opportunity in the sport, leisure and hospitality software market is characterised by the large number of organisations and the high degree of industry fragmentation in IT solutions. Our MSL solutions address clear needs in the market related to member engagement, data analytics, automation of processes and improved governance. Simply, our solutions help our clients to make money, save money and improve governance.

We have established a strong track-record in this market and we proudly serve clients in over 20 countries.

Outside of the IPO activity, other highlights in our year included:

- › growing each of our key market segments,
- › securing two important acquisitions in Europe
- › continued elevation of our industry relationships including becoming a strategic technology partner of Golf Australia,
- › executing our first contracts with US customers and
- › overall setting a solid foundation for our future growth.

On behalf of the MSL Directors, I look forward to welcoming you to our 2017 Annual General Meeting in November 2017. Thank you all for your continued involvement and support.

Sincerely,

**John Down**  
Chairman

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## MANAGING DIRECTOR'S REPORT



MSL is now a true global player in the sport, leisure and hospitality sector providing software, data and media solutions through our MPower platform. We serve over 2,000 clients in more than 20 countries around the world.



**Craig G Kinross**

Managing Director & Chief Executive Officer

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MSL is now a true global player in the sport, leisure and hospitality sector providing software, data and media solutions through our MPower platform. We serve over 2,000 clients in more than 20 countries around the world. MSL also has offices in Australia, the United Kingdom and Denmark employing over 130 staff.

This past year has been a transformative year for MSL. We would like to thank the entire MSL team for their efforts and for delivering strongly to our business strategy, laying a solid platform for sustainable growth and success.

MSL's MPower Platform connects member organisations' business software and data needs to improve guest engagement, loyalty, gain business efficiencies and improve governance. We provide scalable full venue business software applications and data solutions integrated through the MPower core integration architecture. This means that MSL can provide solutions to both small and large organisations and associations providing cloud based SaaS, hosted and on-site deployed software, data and loyalty/media solutions.

Member based organisations within the sport, leisure and hospitality sector face increasing competition to stay relevant to their guest needs. They require a robust operating platform to better understand their business, make more informed choices and ultimately engage with their members and customers.

MSL continues to invest in the MPower platform of products to meet the market needs of the key sales segments of golf clubs & associations, registered clubs, stadia/arena and other hospitality/entertainment venues. In this last year, MSL's spend on R&D amounted to circa 18% of operating revenue to support future growth opportunities.

During the year we also continued to execute on our strategy to accelerate growth through acquisitions. We completed the acquisitions of Verteda (UK), GolfBox (Denmark) and Pallister Games (Australia). These acquisitions have increased our geographic footprint and client base, expanded our technology offerings and contributed positively to our bottom line profitability.

Verteda is based in Northern England, and is a leader in software solutions to sporting, hospitality and stadia clients in the UK with a very strong presence in the English Premier League.

GolfBox is based in Denmark, and is a leader in the provision of golf software solutions to associations and clubs throughout Europe.

Pallister Games is based in NSW, Australia and provides solutions to promote member attendance and participation at a venue by programmatically awarding prizes or loyalty incentives.

## 2016-17 FINANCIAL PERFORMANCE

Operating revenue of \$23.7 million for the year was in line with our IPO prospectus forecast, and up 110% on the prior reporting period. Of this growth, \$8.7 million was contributed by the European acquisitions acquired of Verteda and GolfBox in October 2016 and November 2016 respectively.

In the current year \$12.2 million or 51% of operating revenue is sticky, recurring annuity revenue. This compares to \$5.7 million, or 50% of operating revenue, in the prior reporting period.

Net profit after tax before amortisation (NPATA) and significant items was \$2.5 million. Amortisation in the year primarily associated with acquired intangibles was \$4.1 million. The statutory result also included \$9.2 million of material one-off net costs associated with the European acquisitions and ASX IPO process.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) before significant items was \$1.6 million, compared to \$0.5 million in the prior period. This excludes \$8.3 million of one-off significant net costs associated with the acquisitions and the IPO in the current year. Normalised for a full year of Verteda and GolfBox acquisitions, the EBITDA profit would have been \$3.3 million.

During the year, as noted earlier, MSL has continued to invest in its proprietary software and data solutions spending over \$4.3 million or 18% of revenue (2016: \$2.0 million, 18% of revenue) on our solutions. The company policy is to expense all research & development to the profit and loss statement in the period incurred, rather than capitalise these costs as is the practice by many companies in the software sector.

## OPERATIONS

We have continued to achieve good growth outcomes in each of our key market segments. Looking at key highlights in each of these sectors:

### MPOWER VENUE

Serves the stadia, arena and registered clubs (excluding golf clubs) on a global basis. This segment includes the Verteda (UK) business acquired in October 2016.

The segment revenue in the year was \$15.8 million, up 112% on the prior reporting period. Venues contributed \$2.4 million EBITDA (FY16: \$1.5 million).

Key highlights in the year included:

- › integration of the Verteda (UK) business;
- › first sales of Australian products into UK Verteda customers; and
- › first US customer in December 2016.

### MPOWER GOLF

Serves the golf clubs and associations markets on a global basis. The segment includes the GolfBox (Denmark) business acquired in November 2016.

The segment revenue in the year was \$6.4 million, up 87% on the prior reporting period. Golf contributed \$1.3 million EBITDA (FY16: \$0.5 million).

Key highlights in the year included:

- › integration of the GolfBox business;
- › first golf client in the UK; and
- › appointed strategic technology partner of Golf Australia in October 2016, following on from our earlier appointment of strategic technology partner of the PGA Australia.

### MPOWER BI

Serves the sports, leisure and hospitality clients with a business analytics solution providing historical, current and predictive views of the business operations. The solution is a cloud software as a service solution able to be sold stand-alone or in conjunction with Venue & Golf products.

The segment revenue in the year was \$0.7 million, up 378% on the prior reporting period. MPower BI contributed a loss of \$0.1 million EBITDA (FY16: \$0.1 million).

Key highlights in the year included:

- › first enterprise sale to a customer group of entities;
- › Golf Australia commitment as part of the strategic technology partnership to roll-out a base level solution to 1,600 golf clubs in Australia.

### MPOWER MEDIA

Serves the sports, leisure and hospitality clients with loyalty/media member engagement solutions, and facilitates relationships with media partners. The segment includes the Pallister Games assets acquired in May 2017.

The segment revenue in the year was \$0.9 million, up 182% on the prior reporting period. Media contributed \$0.3 million EBITDA (FY16: \$0.0 million).

# MANAGING DIRECTOR'S REPORT

Key highlights in the year included:

- › Integration of Pallister games to the loyalty/media platform;
- › Execution of a reseller agreement with a major hospitality company;
- › Execution of first clients with loyalty platform linked to a shopping facility.

## GROWTH STRATEGY

MSL's approach to the global market continues to be driven by a strong focus on servicing its clients' needs, targeting strategic opportunities for new business and acquiring businesses that complement and enhance our core business.

MSL's growth strategy is based upon four key components:

### 1. Organic growth within each sales segment

The scalability of the MPower platform enables clients to use as much of the MPower platform as their size and sophistication requires. Once clients are on the MPower platform they have more flexibility to bring on more MPower modules or 3<sup>rd</sup> party products via the open Application Programming Interface (API) to continue meeting their requirements into the future as their operational requirements evolve.

### 2. Increasing customers using the MPower Business Intelligence (BI) solution

Central to the value proposition in the future of the MPower platform is our BI solution. Our clients have a need to not only know their customers but how they will behave. The ability for the MPower BI solution to collect data from multiple systems in a venue and provide actionable insights quickly allows our clients to achieve this.

### 3. Cross-sell of products across geographical and sales segments

MSL can leverage the core open architecture of the MPower platform to scale products into new segments and geographies leveraging the integration core. This has been demonstrated during the year, leveraging sales synergies quickly in relation to the new acquired businesses.

### 4. Accelerating growth through acquisitions

MSL has demonstrated a strong track-record of successfully acquiring good businesses and integrating these into the core operations. MSL uses acquisitions to enter new markets and new geographies, acquire new software capabilities and knowledge, acquire new customer bases and ultimately develop cross-sell opportunities among acquisitions and existing sales segments. We believe the acquisition of complementary software companies to be an efficient and relatively low-cost growth strategy to build our presence and expand our customer base.

MSL's key criteria for assessing acquisitions are:

- › Growth of the marketplace of clients;
- › Filling a gap in relation to technology or staff capabilities;
- › Positively improve EBITDA; and
- › Complement the international profile of MSL.

On 7<sup>th</sup> July, MSL announced its intent to acquire Pricap Services Pty Ltd (Pricap). The binding Letter of Intent is conditional upon due diligence and MSL Board approval.

Subject to due diligence, Pricap meets the criteria highlighted above. Pricap currently provides its solutions to 125+ clubs in the Sports, Leisure and Hospitality market, predominantly in the Australian golf sector. At the time of this report the due diligence is still in progress.

## INVESTMENTS

### Zuuse

At 30 June 2017, MSL continues to hold a 30% investment in the Zuuse business, which is being held for sale. The asset in the balance sheet is recorded at \$2.2 million, with the investment recorded at 6c per share.

Zuuse is non-core to the MSL business, and is a full asset lifecycle solution with market leading technology blending 3D building information modelling (BIM) capability, mobility and information management. In August 2017, Zuuse have undertaken a further capital raising at 15.5c per share on a valuation of \$21 million. Zuuse are also in a process to merge with Progressclaim. The public documents indicate an increase to the notional value of Zuuse shares if successful. The MSL board is monitoring this as part of the sale process.

Thank you for your continuing support in our business, as we remain focused on achieving our growth objectives for MSL. I look forward to providing you with a business update at our Annual General Meeting in November.



**Craig Kinross**

Managing Director & Chief Executive Officer



## MSL BOARD OF DIRECTORS



**Kenneth John Down**  
Non-Executive Chairman

John Down was appointed as non-executive Chairman in October 2008. His extensive private and public sector experience has contributed to forming the corporate vision for, and the building of, the company that MSL has become today.

In 1997 he founded Viking Industries Ltd, a multi-faceted marine industrial business which was subsequently sold as a mid-cap publicly listed company to private equity in 2008. He was appointed to the position of Co-ordinator General and Director-General, in the Office of Major Projects, by the Premier of Queensland in 1993, and held this position until 1996. In 1970, John co-founded the GRM Group of Companies, a multifaceted agribusiness with operations in over 50 countries, which was also sold to private equity in 1992.

He has significant Board experience in both public and private companies. He is currently the Chairman of Asia Pacific Aircraft Storage Pty Ltd; Chairman of Nutrafruit Pty Ltd and is on the Council of Brisbane Boys College. His former Board appointments include AUSTRADE (Deputy Chairman), Export Finance Insurance Corporation; QCT Resources Ltd; Annaconda Nickel Ltd; Santos Ltd - UK & USA; and Herron Pharmaceutical Advisory Board.

John holds a Bachelor of Economics from the University of Queensland and a Master of Economics from the University of New England.

### Interest in Shares and Options

7,385,347 fully paid Ordinary Shares and 785,714 Options over ordinary Shares of MSL Solutions Limited were held by Mr Down and associated entities as at 30 June 2017. As part of the Company's IPO, Mr Down voluntarily agreed to escrow all fully paid shares held at the date of listing (being 7,385,347 ordinary shares), pending completion of FY18 results.



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

Craig was appointed from within MSL to the role of Managing Director and Chief Executive Officer in November 2012, and has facilitated important strategic partnerships, acquisitions and capital raisings to profitably grow earnings by over 400% during this time. Previously he served as the Company's Chief Operating Officer from 2010 to 2012, where he was instrumental in the restructure of MSL.

He brings almost 20 years software industry experience holding various senior operations and finance management roles in successful international companies. His career also includes over 10 years' experience with global software company Mincom, which operated in over 40 countries. He was a key member of the deal team securing the sale of the business to a US private equity business for over \$300 million, and post the acquisition was the internal company lead of a substantial organisation restructure during the Global Financial Crisis reducing headcount and costs by over 30%, while still maintaining a platform for revenue growth.

He has also held corporate finance roles with Invensys Plc and Credit Suisse Financial Products in London, and prior to moving to London Craig started his career at KPMG Brisbane as an accountant in their Business Advisory Group. He holds a Bachelor of Commerce degree from the University of Queensland and is a Member of The Institute of Chartered Accountants, Australia and New Zealand.

### Interest in Shares and Options

10,498,271 fully paid Ordinary Shares of MSL Solutions Limited were held by Mr Kinross and associated entities as at 30 June 2017. As part of the Company's IPO, Mr Kinross voluntarily agreed to escrow all fully paid shares held at the date of listing, (being 10,498,271 ordinary shares), pending completion of FY18 results.

## MSL BOARD OF DIRECTORS



### **Ian Daly**

#### Non-Executive Director

Ian joined the Board in December 2009 bringing over 48 years of first hand corporate experience to MSL.

He commenced his career with John Rawlinson & Partners in 1967 as a Senior Chartered Quantity Surveyor, and over 31 years grew with the firm to become Qld Managing Director and Chairman of The Rawlinsons Group, recognised as one of Australia's leading quantity surveying and project management consultancies operating from 21 local and overseas offices.

He joined the Brisbane Marine Industry Park in 1999, then its successor Viking Industries Ltd in 2001 serving as an Executive Director to both organisations. Ian currently serves as a Director of Zuuse Pty Ltd, a software company servicing the infrastructure, building and asset management sectors.

Ian is a Fellow of The Royal Institution of Chartered Surveyors and a Fellow of the Australian Institute of Quantity Surveyors.

#### **Interest in Shares and Options**

9,214,286 fully paid Ordinary Shares and 785,714 Options over ordinary Shares of MSL Solutions Limited were held by Mr Daly and associated entities at 30 June 2017. As part of the Company's IPO, Mr Daly voluntarily agreed to escrow all fully paid shares held at the date of listing (being 8,821,429 ordinary shares), pending completion of FY18 results.



### **Kaylene Gaffney**

#### Non-Executive Director

Kaylene joined the MSL Board in 2017, having enjoyed a 26-year career in senior financial roles.

She has previously served as non-executive Director and Chair of the Audit and Risk Committee for Wotif.com. Her senior financial role experience is in the retail, aviation, telecommunications and information technology sectors. Kaylene is a non-executive Director and Chair of the Audit and Risk Committee for National Veterinary Care Limited.

Kaylene holds a Masters Degree in International Business from the Queensland University of Technology, and is a Graduate member of The Australian Institute of Company Directors and is a Fellow of The Institute of Chartered Accountants Australia and New Zealand.

#### **Interest in Shares and Options**

80,000 fully paid Ordinary Shares of MSL Solutions Limited were held by Ms Gaffney and associated entities as at 30 June 2017.



**Dr Richard Holzgrefe**  
Non-Executive Director

Rick was appointed as a non-executive Director in December 2007. He brings corporate experience across multiple industry sectors to the Company.

He joined MSL from VLRQ Pty Ltd where he served as a Director from 1998 to 2004. He was a Director of Kenlynn Property Syndicates Pty Ltd from 1997 to 2000, and co-founded The BOH Dental Group, in 1976. He left in 1997 to pursue interests in the Property and Retirement Living sectors.

He currently serves as Chairman of Urana Road Developments Pty Ltd and is a Director of Holmac Holdings Pty Ltd.

Richard holds a Bachelor of Dental Science degree from the University of Queensland.

#### **Interest in Shares and Options**

12,611,917 fully paid Ordinary Shares and 785,714 Options over ordinary Shares of MSL Solutions Limited were held by Dr Holzgrefe and associated entities as at 30 June 2017. As part of the Company's IPO, Dr Holzgrefe voluntarily agreed to escrow all fully paid shares held at the date of listing (being 12,561,917 ordinary shares), pending completion of FY18 results.



**David Trude**  
Non-Executive Director

David joined the Board in 2017 bringing over 40 years' experience as a senior corporate executive within the banking and securities industries.

He was formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse, Australia for 10 years from 2001.

He has served as Chairman of Baillieu Holst Limited since 2010 having been a Board member since 2007, is Chairman of Waterford Retirement Village, Hansen Technologies Limited and East West Line Parks Limited, a member of the Board of Chi-X Australia Pty Ltd and non-executive Director of Acorn Capital Investment Fund Limited, an ASX listed entity.

David holds a Bachelor of Commerce Degree from the University of Queensland, is a Senior Associate of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and Master Member of the Stockbrokers and Financial Advisers Association.

#### **Interest in Shares and Options**

300,000 fully paid Ordinary Shares of MSL Solutions Limited were held by Mr Trude and associated entities as at 30 June 2017. As part of the Company's IPO, Mr Trude voluntarily agreed to escrow all fully paid shares held at the date of listing (being 250,000 ordinary shares), pending completion of FY18 results.

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## MSL BOARD OF DIRECTORS



### **Andrew Ritter**

#### *Chief Financial Officer and Company Secretary*

Andrew Ritter was appointed as Company Secretary on 27 March 2017, and appointed as Chief Financial Officer on 17 August 2017. Mr Ritter has over 18 years of international finance experience, with recent roles as CFO and Company Secretary of ASX listed global IT & Telco organisations. Andrew is a Chartered Accountant, holds a Bachelor of Commerce degree, a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and the International Institute of Chartered Secretaries and Administrators.

The Company Secretary for MSL prior to Mr Ritter's appointment was Peter Williams and John Barton.

# CORPORATE GOVERNANCE STATEMENT

In accordance with the ASX Listing Rules, the Board has assessed MSL's current practice against the ASX Corporate Governance Principles and Recommendations 3rd edition, and outlines its assessment below:

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
1.1 Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions.	<p>The Board is responsible for overall corporate governance of the Company.</p> <p>The role of the Board and delegation to management have been formalised in the corporate governance charter which outlines the main corporate governance practices in place for the Company. The Board and each Director are committed to the charter. The conduct of the Board is also governed by the Company's constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency.</p> <p>The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed Company.</p>	Complies.
1.2 Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	The Company has completed police checks, insolvency and banned director searches in relation to the existing Directors. The Company will conduct appropriate checks for future appointments.	Complies.
1.3 Have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company has entered into written agreements with each Director and senior executive.	Complies.
1.4 The Company Secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the charter and corporate structure of the Company. The Company Secretary has a direct relationship with the Board in relation to these matters and operates independently of the executive.	Complies.
1.5 Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	The diversity policy for the Company has only recently been established and accordingly, the Company has not reported on measurable objectives in any annual report to date.	Does not comply, however, in accordance with the policy the Company intends to disclose the measurable objectives for achieving gender diversity in each annual report and the Company's progress in achieving diversity objectives.



# CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<p>1.6 Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The corporate governance charter provides for regular performance reviews to be conducted.</p>	<p>Does not comply, however, in accordance with the charter the Company intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken.</p>
<p>1.7 Have a process for periodically evaluating the performance of the Company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The Board's broad function is to formulate strategy and set financial targets for the Company, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to the Company.</p> <p>The Chairman, with assistance from the nomination committee, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors.</p>	<p>Complies.</p>
<p><b>Principle 2 - Structure the Board to add value</b></p>		
<p>2.1 The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.</p> <p>The functions and operations of the nomination committee should be disclosed.</p>	<p>A nomination committee has been established with its own charter and consists of all of the Directors with John Down as the committee chairman.</p>	<p>Complies.</p>
<p>2.2 Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.</p>	<p>The Company has established charter rules for the nomination committee as a guide for Board deliberations. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business.</p>	<p>Does not presently comply, however the Board intends to formalise a skills matrix.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<p>2.3 Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.</p>	<p>Kenneth John Down (appointed 28 October 2008) – John is Chairman of the Company and is an independent director.</p> <p>Ian Daly (appointed 18 December 2009) – Ian is an independent director.</p> <p>Kaylene Gaffney (appointed 1 March 2017) – Kaylene is an independent director.</p> <p>David Trude (appointed 9 March 2017) – David is an independent director.</p> <p>The Board is of the opinion that Kenneth John Down and Ian Daly are independent Directors because they are not substantial shareholders in the Company.</p> <p>The Board notes the following Directors are deemed not independent for the purposes of the Guidelines:</p> <p>Craig Kinross (appointed 30 November 2012) – Craig is an executive director of the Company.</p> <p>Richard Holzgrefe (appointed 18 December 2007) – Richard is a substantial shareholder of the Company.</p>	<p>Complies.</p>
<p>2.4 A majority of the Board should be independent directors.</p>	<p>The Company currently has a six member Board, of whom four (John Down, Ian Daly, Kaylene Gaffney and David Trude) are considered independent non-executive Directors.</p>	<p>Complies.</p>
<p>2.5 The chairman of the Board should be an independent director and should not be the CEO.</p>	<p>The Chairman, John Down, is an independent non-executive Director.</p> <p>The Company's managing director and chief executive officer, Craig Kinross, is not the same individual as the Chairman.</p>	<p>Complies.</p>
<p>2.6 There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	<p>This is consistent with the corporate governance charter and processes implemented by the Company.</p>	<p>Complies.</p>

# CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>Principle 3 – Act ethically and responsibly</b>		
3.1 Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	The Company has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.	Complies.
<b>Principle 4 – Safeguard integrity in corporate reporting</b>		
4.1 The Company should have an audit committee, which consists of only nonexecutive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members.  The functions and operations of the audit committee should be disclosed.	The Company has established an audit and risk management committee to assist and report to the Board.  The audit and risk management committee consists of Kaylene Gaffney (committee chair), Ian Daly and Richard Holzgrefe.	Complies.
4.2 The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach adopted by the audit committee and Board.	Complies.
4.3 The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	MSL's auditor will be requested to attend the AGM and shareholders will be entitled to answer questions in accordance with the Corporations Act and these Guidelines.	Complies.
<b>Principle 5 – Make timely and balanced disclosure</b>		
5.1 Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	MSL has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.	Complies.

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>Principle 6 – Respect the rights of security holders</b>		
6.1 Provide information about the Company and its governance to investors via its website.	The corporate governance charter and other applicable policies are available on the Company's website.	Complies.
6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company aims to ensure that all Shareholders are well informed of all major developments affecting the Company and that the full participation by Shareholders at the Company's AGM is facilitated.	Does not presently comply, however the Company is consulting with its advisers to implement an effective program.
6.3 Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	The Company intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. The Company intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.	The Company has not disclosed a formal policy or process, but has however engaged a recognised and reputable share registry service provider to further these objectives.
6.4 Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	The Company has instructed its share registry to facilitate this option for investors, as well as future shareholders at appropriate times.	Complies.
<b>Principle 7 – Recognise and manage risk</b>		
7.1 The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.  The functions and operations of the risk committee should be disclosed.	The Company has a combined audit and risk management committee. See above for independent status of the committee members.  The functions and operations of the committee are established under the charter.	Does not comply to the extent that the Company does not have a separate risk committee, however the Board has formed the view that the audit and risk management committee is appropriately structured and independent from the Chairman and executive to effectively fulfil its role.
7.2 The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	The charter establishes the role of the committee. The committee will establish the risk management framework.	Does not comply to the extent that the committee is newly formed and has not conducted an annual review.

# CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<p>7.3 Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Due to the Company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The Company has an external auditor and the audit and risk management committee will monitor and evaluate material or systemic issues.</p>	<p>Does not comply due to the nature and scale of operations, however the Board believes it and the audit and risk management committee have adequate oversight of the existing operations.</p>
<p>7.4 Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.</p>	<p>The Board does not believe the Company has any material exposure to those risks.</p>	<p>Complies.</p>
<p><b>Principle 8 – Remunerate fairly and responsibly</b></p>		
<p>8.1 The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the remuneration committee should be disclosed.</p>	<p>The Board has established a remuneration committee to assist the Board to discharge its responsibilities in relation to remuneration and issues relevant to remuneration policies and practices, including those for senior management and non-executive Directors.</p> <p>The remuneration committee consists of David Trude (committee chairman), Richard Holzgrefe and John Down.</p> <p>The composition and role of the remuneration committee is set out in the remuneration committee charter.</p>	<p>Complies.</p>
<p>8.2 The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<p>The Company has adopted remuneration policies which comply with the Guidelines, as outlined in this Annual Report, including separately disclosing the remuneration of nonexecutive Directors, and the remuneration of executive Directors and other senior executives.</p> <p>No Director or senior executive is involved directly in deciding their own remuneration.</p>	<p>Complies.</p>
<p>8.3 If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p>	<p>The Company operates an equity based remuneration scheme. In accordance with the Company's Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.</p>	<p>Complies.</p>



## BOARD CHARTER

The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- › a detailed definition of 'independence';
- › a framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
- › a framework for individual performance review and evaluation;
- › proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- › basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- › ethical standards and values (in a detailed code of ethics and values);
- › dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and communications with Shareholders and the market.

The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in MSL's internal practices and its dealings with others. The management function is conducted by, or under the supervision of the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

The Board collectively, and individual Directors, may seek independent professional advice at MSL's expense, subject to the approval of the Chairman or the Board as a whole.

## BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee, and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required.

### AUDIT AND RISK COMMITTEE

Under its charter, this committee should consist of at least three members of the Board, only Non- Executive Directors, a majority of independent Directors and an independent chair who is not Chairman of the Board. Current members of this Committee are Kaylene Gaffney (chairman), Richard Holzgrefe and Ian Daly.

The Audit and Risk Committee assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- › overseeing MSL's relationship with the external auditor and the external audit function generally;
- › overseeing the preparation of the financial statements and reports;
- › overseeing MSL's financial controls and systems;
- › managing the process of identification and management of financial risk; and
- › Non-committee members, including members of management and the external auditor, may attend meetings of the committee by invitation of the committee chair.

### NOMINATION COMMITTEE

Under its charter, this committee should consist of all Directors. The Nomination Committee assist the Board and make recommendations to it about the appointment of new Directors (both executive and non-executive) and of the CEO and CFO and, to the extent delegated to it by the Board, other Senior Executives. Its current members are all Directors.

The functions of the Nomination Committee are as follows:

- › development of criteria (including skills, qualifications and experience) for Board candidates;
- › identification and consideration of possible candidates, and recommendation to the Board;
- › establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- › ensuring the performance of each Director, and of senior management, is reviewed and assessed each year using procedures adopted by the Board.

# CORPORATE GOVERNANCE STATEMENT

## REMUNERATION COMMITTEE

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors). Its current members are David Trude (chairman), Richard Holzgrefe, and John Down.

The functions of the Remuneration Committee are as follows:

- › review and evaluation of market practices and trends on remuneration matters;
- › recommendations to the Board about the Group's remuneration policies and procedures;
- › oversight of the performance of senior management and non-executive Directors; and
- › recommendations to the Board about remuneration of senior management and non-executive Directors.

## CORPORATE GOVERNANCE POLICIES

### CONTINUOUS DISCLOSURE POLICY

MSL is required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. MSL is aware of its obligation to keep the market fully informed of any information it becomes aware of concerning MSL which may have a material effect on the price or value of the Shares, subject to certain exceptions.

The Board has adopted a continuous disclosure policy (Disclosure Policy), which sets out procedures to be adopted by the Board to ensure MSL complies with its continuous disclosure obligations to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or information in the market.

The Board is responsible for determining whether information is such that it would have a material effect on the price or value of MSL's securities. The Disclosure Policy provides a framework for the Board and officers of MSL to internally identify and report information which may need to be disclosed and sets out practical implementation processes in order to ensure any identified information is adequately communicated to ASX and Shareholders. The Disclosure Policy also sets out the exceptions to the disclosure requirements.

Any non-compliance with the Disclosure Policy will be regarded as an act of serious misconduct. The Disclosure Policy is available on MSL's website at [www.mpowermsl.com](http://www.mpowermsl.com)

## SECURITIES TRADING POLICY

The Board has adopted a policy for trading in securities (Trading Policy), which explains and provides guidance to Directors, identified employees including senior management, and other employees of MSL, where they are contemplating dealing in MSL's securities or the securities of entities with whom MSL may have dealings. The Trading Policy is designed to ensure that any trading in MSL's securities is in accordance with the law and minimises the possibility of misperceptions arising in relation to Directors' and employees' dealings in MSL's securities or securities of other entities.

The Trading Policy is directed at dealing in MSL's securities by the Directors and employees, dealings through entities or trusts controlled by a relevant person, or in which they have an interest, and encouraging family or friends to so deal. It also extends to addressing dealings in the securities of other entities that may be transacting with, or be counterparties of, MSL.

Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct. The Trading Policy is available on MSL's website at [www.mpowermsl.com](http://www.mpowermsl.com).

## CODE OF CONDUCT

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how MSL expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of MSL (including temporary employees, contractors and Company Directors) must comply with the Code of Conduct.

The Code is designed to:

- › provide a benchmark for professional behaviour throughout MSL;
- › support MSL's business reputation and corporate image within the community; and
- › make Directors and other employees aware of the consequences if they breach the policy.

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## COMMUNICATION WITH SHAREHOLDERS

MSL aims to communicate all important information relating to MSL to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including MSL's website, at the annual general meeting, through the Annual Report and ASX announcements.

## DIVERSITY POLICY

MSL is committed to complying with the diversity recommendations published by ASX and promoting diversity among employees, consultants and senior management, and has adopted a policy in relation to diversity (Diversity Policy).

MSL defines diversity to include, but not be limited to, gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

The Diversity Policy adopted by the Board outlines MSL's commitment to fostering a corporate culture that embraces diversity and provides a process for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

MSL's Nominations Committee is responsible for implementing the Diversity Policy, setting the Company's measurable objectives and benchmarks for achieving diversity and reporting to the Board on compliance with the Diversity Policy.

As part of its role, MSL's Remuneration Committee is responsible for formulating and implementing a Company remuneration policy. Under the Diversity Policy, a facet of this role will include reporting to the Board annually on the proportion of men and women in MSL's workforce and their relative levels of remuneration.

The Diversity Policy is available on MSL's website at [www.mpowermsl.com](http://www.mpowermsl.com).





# 2017

DIRECTOR'S REPORT



# DIRECTOR'S REPORT

The Directors of MSL Solutions Limited ('MSL' or 'the Company') submit their report together with the consolidated financial report of the Company, comprising the Company and its controlled entities for the year ended 30 June 2017 and the audit report thereon.

## DIRECTORS

The names of the Directors of the Company in office during the year and to the date of this report are:

NAME	DIRECTOR SINCE
<b>Non-Executive</b>	
Mr Kenneth J (John) Down <i>(Chairperson)</i>	October 2008
Mr Ian M Daly	December 2009
Ms Kaylene J Gaffney	March 2017
Dr Richard W Holzgrefe	December 2007
Mr David D Trude	March 2017
<b>Executive</b>	
Mr Craig G Kinross <i>(Managing Director and Chief Executive Officer)</i>	November 2012

## PRINCIPAL ACTIVITIES

MSL is a global provider of hosted, software as a service (SaaS) and on-site deployed solutions to clients in the following key segments in the sport, leisure and hospitality sectors:

- › Golf clubs and associations;
- › Registered clubs;
- › Stadia and arenas; and
- › Other hospitality and entertainment venues.

MSL provides scalable full venue business software applications and data solutions integrated through the MPower core integration architecture which connects member organisations' business software and data needs, to improve guest engagement, loyalty, gain business efficiencies and governance.

The MPower platform combines software applications, data and media channels in an open architecture platform that provides total integration from the back office to member facing solutions encompassing the full needs of the business. The MPower platform "connects the dots" for the customer organisation connecting every department of the business from food and beverage point of sale, to membership, marketing, financials and workforce management.

MSL can provide solutions to both small and large organisations and associations and has an install base of over 2,000 clients in over 20 countries.

The principal activities of MSL during the year ended 30 June 2017 were related to sales, implementation and support of the MPower platform and component solutions to our customer base, but also included the following operational milestones:

- › Oct 2016: MSL appointed Golf Australia Strategic Technology Partner
- › Oct 2016: Acquired Verteda Holdings Limited (UK)
- › Nov 2016: Acquired GolfBox A/S (Denmark)
- › Dec 2016: Completed first client sales in US
- › May 2017: Acquired Pallister Games assets from Ray Pallisters Pty Ltd.

In addition, the Company successfully listed on the Australian Stock Exchange in May 2017.

## KEY FINANCIAL RESULTS

CONSOLIDATED SUMMARY OF RESULTS FOR THE PERIOD ENDED 30 JUNE 2017 (FROM CONTINUING OPERATIONS)	STATUTORY		RESULTS BEFORE SIGNIFICANT ITEMS	
	30-JUN-17 \$000	30-JUN-16 \$000	30-JUN-17 \$000	30-JUN-16 \$000
Revenue	23,665	11,289	23,665	11,289
Gross Margin	18,256	9,391	18,256	9,391
EBITDA <sup>1</sup>	(6,725)	308	1,620	472
NPATA <sup>2</sup>	(6,641)	418	2,516	857
NPAT <sup>3</sup>	(10,763)	(1,362)	(1,606)	(1,041)

1. EBITDA is earnings before interest, tax, depreciation and amortisation
2. NPATA is net profit/(loss) after tax but before amortisation
3. NPAT is net profit/(loss) after tax

### Reconciliation from statutory profit/(loss) to adjusted NPATA

	30-JUN-17 \$000	30-JUN-16 \$000
<b>Statutory loss after tax</b>	<b>(10,763)</b>	<b>(1,362)</b>
Income tax (benefit)/expense	(1,063)	(466)
Significant items (per note 5)	9,157	321
Amortisation and depreciation	4,289	1,979
<b>Adjusted EBITDA</b>	<b>1,620</b>	<b>472</b>
Income tax benefit/(expense)	1,063	466
Depreciation expense	(167)	(81)
<b>Adjusted NPATA</b>	<b>2,516</b>	<b>857</b>
Amortisation expense	(4,122)	(1,898)
<b>Adjusted NPAT</b>	<b>(1,606)</b>	<b>(1,041)</b>

# DIRECTOR'S REPORT

## COMPANY STRATEGY

MSL's vision is to empower sport, leisure, hospitality venues & guests globally with its unique open architecture MPower platform.

MSL connects the full venue business software and data needs for a member based organisation to grow their revenues, gain efficiencies and improve governance.

MSL's growth strategy is based upon four key components; strong organic growth in existing sales segments, cross-selling opportunities between sales segments, expansion of the business intelligence & analytics platform and accelerating growth through acquisitions.

## ORGANIC GROWTH WITHIN EACH SALES SEGMENT

The scalability of the MPower platform enables our clients to increase the use of the MPower platform and its modules as their business grows. MSL intend to grow the use of the MPower platform and additional modules through increased promotion and education by our sales managers to existing customers and new customers.

## CROSS-SELL OF PRODUCTS BETWEEN SALES SEGMENTS

MSL's ability to acquire companies with leading software capabilities provides us with an opportunity to cross sell software products across our expanded customer base. MSL uses a direct sales & marketing strategy to offer our client base an expanded suite of software solutions through the MPower platform.

## INCREASING THE NUMBER OF CUSTOMERS USING THE MPOWER BI SOLUTION

Central to the value proposition of the MPower platform is our BI Solution. Our clients have a need to not only know their customers but how they will behave. The ability for the MPower BI Solution to collect data from multiple systems allows our clients to achieve this.

## ACCELERATING GROWTH THROUGH ACQUISITIONS

MSL uses acquisitions to enter new markets and new geographies, acquire new software capabilities and knowledge, acquire new customer bases and ultimately develop cross sell opportunities between acquisitions and existing sales segments. We believe the acquisition of complementary software companies, using the following criteria, is an efficient and relatively low cost growth strategy to build our presence and expand our customer base:

- › grow the marketplace of clients;
- › fill a gap in relation to technology or staff capabilities;
- › positively improve EBITDA; and
- › complement the international growth profile of MSL.

## DIVIDENDS

No dividends were paid to shareholders during the financial year, and no dividend has been declared or paid subsequent to the end of the financial year.

## MEASURES OF PROFITABILITY AND BASIS OF PREPARATION

The accounting policies adopted in the preparation of this report, are summarised in Note 24 of the Financial Statements.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

As at the reporting date, MSL has on issue 249,248,965 ordinary shares. During the period, the Company:

- › MSL expanded via acquisition into the European market with acquisitions of Verteda (UK) and GolfBox (Denmark). The acquisitions of Verteda and GolfBox have transformed MSL into a global player in the sport, leisure and hospitality sector.
  - Verteda is a leader in software solutions to the sporting, hospitality and stadia clients in the UK
  - GolfBox is a Danish IT company focused on the development and sale of software for the golf industry.
- › Completed a \$15 million capital raising by issuing securities in an IPO on the Australian Stock Exchange.

No other significant changes in the state of affairs of the Company occurred during the financial year, other than those disclosed in this report.

## SUBSEQUENT EVENTS

The following matters have arisen since the end of the financial year which may materially affect operations of MSL, the results of those operations, or the state of affairs of MSL in future financial years

- › On 7th July 2017, MSL announced its intention to acquire 100% of the shares in Pricap Services Pty Ltd, subject to satisfactory completion of due diligence and MSL Board approval;
- › On 17th August 2017, MSL announced the appointment of Andrew Ritter as Chief Financial Officer of the Company.

In addition to the above the assets held for sale in Zuuse Pty Ltd are currently being held at \$0.06 per share. Recent trades in the month of July 2017 have been conducted at \$0.155 on a valuation of Zuuse Pty Ltd of circa \$21 million.

Zuuse Pty Ltd have undertaken a further capital raising for \$1.5 million at 15.5c which has been successfully completed as at the date of this report.

Zuuse Pty Ltd are in a process to merge with Progressclaim. The public documents indicate the notional value of Zuuse should increase. The merger is proposed for completion by 13 September 2017.

## FUTURE DEVELOPMENTS, PROSPECTS AND OPPORTUNITIES

Information regarding the Company's future developments, prospects and business opportunities is included in the report above. Overall, MSL will continue to:

- › Enhance and develop its products and services;
- › Expand services to clients geographically; and
- › Focus on increasing revenue and market share in the markets in which it operates, and enter new markets.

## ENVIRONMENTAL ISSUES

There are no significant environmental regulations applying to the Company.

## DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	BOARD		AUDIT & RISK COMMITTEE	
	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
K J Down	13	13	-	-
I M Daly	13	13	4	4
K J Gaffney <sup>1</sup>	3	3	1	1
R W Holzgreffe	13	13	4	4
C G Kinross	13	13	-	-
D D Trude <sup>1</sup>	3	3	-	-

<sup>1</sup> Kaylene Gaffney was appointed 1 March 2017, and David Trude was appointed on 9 March 2017.

For the year ended 30 June 2017, there were no meetings held for the Remuneration Committee or the Nomination Committee, due to those committees only being formalised at the time of the Company's IPO. The first meeting of the Remuneration Committee was held subsequent to year end on 4 July 2017.

## REMUNERATION REPORT – AUDITED

The information provided in the remuneration report relates to the Company for the year ended 30 June 2017 and has been audited as required by section 308(3C) of the *Corporations Act (2001)*.

The directors present the MSL Solutions Limited FY 2017 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded. This report is structured as follows:

1. Key management personnel covered in this report
2. Remuneration policy and link to performance
3. Elements of remuneration
4. Link between remuneration and performance
5. Remuneration expenses for executive KMP's
6. Contractual arrangements with executive KMP's
7. Non-executive director arrangements
8. Additional Statutory information

This report should be considered in the context that prior to 4 May 2017, MSL operated as an unlisted public company. Prior to the IPO, the MSL Board approved all remuneration for the Managing Director and all direct reports of the Managing Director, in accordance with the strategy of achieving an equity event for shareholders.

Following the IPO, the Board intends to adopt a remuneration strategy which is consistent with the strategy used by other listed companies in the Software sector. As part of that process, a remuneration committee was chartered in March 2017 and held its first meeting in its current structure July 2017.

PERFORMANCE HIGHLIGHTS	
Group Revenue up 110%	Group revenue was up 110% in FY17 due to organic growth within the Group, plus the material impact of the European acquisitions.
Group NPAT of \$(10.8M)	Group NPAT for FY17 was impacted by a number of one-off significant expense items related to acquisitions and the Initial Public Offering on the ASX, identified in Note 5 of the financial statements.
REMUNERATION HIGHLIGHTS	
Initial Public Offering	The Board tailored remuneration outcomes for senior executives based on a strategy of increasing shareholder value and achieving an equity event for shareholders.  The IPO therefore resulted in a number of one-off expenses and equity bonus payments in FY17.
Group Remuneration	Fixed Remuneration is expected to increase in FY18 by an average of 2.5% across the Group. This is consistent with the Group's remuneration strategy of maintaining a position at or above the 50% percentile based on market survey.
Managing Director & CEO Remuneration	Total FY17 remuneration was \$3,215K (FY16: \$266K), as: <ul style="list-style-type: none"> <li>› base salary of \$150K (FY16: \$150K),</li> <li>› cash bonus of \$800K (FY16: \$47K)</li> <li>› non-cash share bonus of \$2.217K (FY16: \$33K)</li> </ul> The FY17 cash bonus and share bonus are considered one-off events, associated with the IPO.
LTI Incentive Plan	Total vested and exercisable options as at 30 June 2017 are 2,871,429 (FY16: 14,321,429)
Non-Exec Director Fees	New Directors David Trude and Kaylene Gaffney were appointed to the Board in March 2017.  Total Non-Executive Remuneration for FY17 was \$151K and within the maximum aggregate amount of \$250K approved by shareholders.

# REMUNERATION HIGHLIGHTS

## 1. KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

### 1.1 NON-EXECUTIVE AND EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS	
Kenneth John Down	
Ian Daly	
Richard Holzgrefe	
Kaylene Gaffney	(appointed 1 March 2017)
David Trude	(appointed 9 March 2017)
EXECUTIVE DIRECTORS	
Craig Kinross	CEO and Managing Director

### 1.2 OTHER KEY MANAGEMENT PERSONNEL (KMP)

KEY MANAGEMENT PERSONNEL (KMP)	
Paul Shipley	Chief Financial Officer (interim) <sup>1</sup>
James Aleman	Chief Revenue Officer <sup>2</sup>
Gregory Davies	General Manager - Corporate Development

1. Appointed 1 March 2017 on interim basis. Andrew Ritter was subsequently appointed Chief Financial Officer on 17 August 2017, and Paul Shipley will return to his previous role within the Company.
2. James Aleman joined the Company on 1 February 2017. Prior to that date, some of the duties of the CRO role were carried out by the CEO.

### 1.3 CHANGES SINCE THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, Andrew Ritter has been appointed to the role of Chief Financial Officer. Other than what has been detailed above, there have been no further changes since the end of the reporting period.



# REMUNERATION REPORT

## 2. REMUNERATION POLICY AND LINK TO PERFORMANCE

The remuneration committee is made up of independent non-executive directors and was formed post the successful listing of MSL Solutions Limited on the Australian Stock Exchange. It is the role of the committee to review and determine the remuneration policy and structure annually to ensure it remains aligned to business needs, and meets the Company's remuneration principles.

From time to time, the committee may also engage external remuneration consultants to assist with this review.

In particular, the Board aims to ensure that remuneration practices are:

- › competitive and reasonable, enabling the Company to attract and retain key talent,
- › aligned to the Company's strategic and business objectives and the creation of shareholder value,
- › transparent and easily understood, and
- › acceptable to shareholders.

**Figure 1: Remuneration Framework**

ELEMENT	PURPOSE	PERFORMANCE	POTENTIAL VALUE	CHANGES FOR FY2017
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	Reviewed in line with market positioning
Short Term Incentive (STI)	Cash based reward for in-year performance	EBITDA for business unit and group	Managing Director: 33% of FR Execs: 20%-60% of FR	Managing Director STI's for FY17 was set with an equity event as trigger for payment.
Long Term Incentive (LTI)	Alignment to long-term shareholder value	Increase in shareholder value	Managing Director: 7.4 x FR Execs: 80% of FR	Refer to note below

Note: For FY17, there was no LTI issued in respect of financial performance. Rather, the MSL Board, in preparation for a planned equity event, had set STI and LTI objectives for the CEO and executives, in accordance with the strategy of increasing shareholder value and achieving an equity event for shareholders. As part of the IPO process, the following key management personnel surrendered exercisable options previously granted under the LTI and were issued shares for nil cash consideration:

EXECUTIVE	EXERCISABLE OPTIONS SURRENDERED	SHARES ISSUED
Craig Kinross	9,500,000	9,000,000
Greg Davies	750,000	523,704

During FY18, the Board intends to adopt a remuneration strategy on mix of STI and LTI, which is consistent with the strategy used by other listed companies in the Software sector.

## 2.1 BALANCING SHORT-TERM AND LONG-TERM PERFORMANCE

STI's are set as a percentage of fixed remuneration, in accordance with industry benchmarks, to drive achievement of annual targets, without encouraging undue risk-taking. Current STI's for CEO and KMP's have been based on achievement of revenue and EBITDA targets, and have been set at 20% to 60% of FR.

Prior to IPO, LTI's were designed to promote long-term stability in the management team, and to achieve shareholder return and an equity event for shareholders. The current long-term incentives will be allocated by the Board and assessed on an annual basis to promote long term shareholder return.

The target remuneration mix for FY17 had been set in 2015 by the Board, based on a strategy of increasing shareholder value and achieving an equity event such as an IPO. The Board is currently reviewing a target remuneration mix for FY18 for CEO, KMP and other management personnel which is more consistent with the mix used by other public listed companies in the Software sector.

## 2.2 ASSESSING PERFORMANCE

Going forward, the remuneration committee is responsible for determining the performance requirements and calculation mechanism used to provide STI and LTI rewards based on performance. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data such as financial measures and data from independently run surveys, such as the Australian Information Industry Association salary survey produced by Aon Hewitt.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the remuneration committee can cancel or defer performance-based remuneration.

In FY18, the Board is in the process of consolidating the various STI plans across the group, with a view to aligning STI payments to financial targets to promote consistent achievement of financial targets.

## 3. ELEMENTS OF REMUNERATION

### 3.1 FIXED ANNUAL REMUNERATION (FR)

Executives generally receive their fixed remuneration as cash. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry, using the Australian Information Industry Association salary survey produced by Aon Hewitt. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

For all executives, superannuation is included in FR.

During FY 2017, fixed remuneration was adjusted for the following KMP's:

- › CEO – prior to March 2017, the CEO's total remuneration mix had a higher proportion of LTI and lower proportion of fixed remuneration, to reflect the strategy of increasing shareholder value and achieving an equity event. In March 2017, the total remuneration package and remuneration mix was adjusted to align the remuneration with the median level for comparative roles;
- › GM Corporate Development - prior to March 2017, total remuneration mix had a higher proportion of LTI and lower proportion of fixed remuneration, to reflect the strategy of increasing shareholder value and achieving an equity event. In March 2017, the total remuneration package and remuneration mix was adjusted to align the remuneration with the median level for comparative roles; and
- › Chief Financial Officer – in March 2017, total remuneration was adjusted in recognition of the interim promotion from Group Financial Controller to Chief Financial Officer.

# REMUNERATION REPORT

## 3.2 SHORT-TERM INCENTIVES

**Figure 2: Structure of the Short Term Incentive Plan**

FEATURE	DESCRIPTION								
Max opportunity	CEO and other executives: 20 - 60% of fixed remuneration								
Performance metrics	The STI metrics align with our strategic priority of consistent achievement of financial targets.								
	<table border="1"> <thead> <tr> <th>Metric</th> <th>Target</th> <th>Weighting</th> <th>Reason for selection</th> </tr> </thead> <tbody> <tr> <td>EBITDA Achievement</td> <td>BU or Group target</td> <td>100%</td> <td>Reflects profitable growth in line with forecast</td> </tr> </tbody> </table>	Metric	Target	Weighting	Reason for selection	EBITDA Achievement	BU or Group target	100%	Reflects profitable growth in line with forecast
Metric	Target	Weighting	Reason for selection						
EBITDA Achievement	BU or Group target	100%	Reflects profitable growth in line with forecast						
Delivery of STI	100% of the STI award is paid in cash at the end of the financial year								
Board discretion	The Board has discretion to adjust remuneration outcomes up or down as they see fit to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.								

The Company has completed a number of acquisitions in recent years, and as a result some executives have STI plans based on metrics other than as outlined in Figure 2. In FY18, the Board intends to consolidate the various STI plans across the group, with a view to aligning STI payments based solely on Net Revenue and EBITDA achievement, in order to promote consistent achievement of financial targets.

## 3.3 LONG-TERM INCENTIVES

Executive KMP and other management personnel participate, at the Board's discretion, in the LTIP. During FY17, the Board received independent advice from McCullough Robertson on the structure and conditions relevant to the LTIP. LTI grants held during FY2017 had been set by the Board, based on that advice and on a strategy of increasing shareholder value and achieving an equity event such as an IPO, these grants had no performance hurdles in place and immediately vested. Grants were exercisable from grant date with an exercise price targeted at a minimum 40% increase in share value from the grant date. As part of the strategy moving forward the Board will now consider performance hurdles as part of the vesting considerations as it sees fit.

Prior to the IPO, the Board approved the replacement of shares for the LTIP option grants which the CEO and two employees had received in 2015. This was consistent with the employment contracts for these three employees and was disclosed in the IPO prospectus.

The Board intends to implement a target remuneration mix for FY18 for CEO, KMP and other management personnel which is more consistent with the mix used by other public listed companies in the Software sector, including the use of option grants for the purpose of LTI.

**Figure 3: Structure of the LTI Plan**

FEATURE	DESCRIPTION
Opportunity/ Allocation	The value of options will be determined based on independent market salary survey. The number of options to be allocated will be determined using the Black-Scholes method for valuation of options.
Performance hurdle	Current grants under this LTIP do not include additional performance hurdles other than exercise price. The plan does allow for performance hurdles to be applied to specific grants and the Board may consider performance hurdles as part of further grants.
Exercise price	The exercise price for options granted prior to IPO was based on a target of 40% increase over the most recent share trade prior to grant date.  Future option grants will be determined by the Board and the exercise price will be determined based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the week up to and including the date of the grant.
Forfeiture and termination	Options will lapse 5 years after grant.  Options will be forfeited on cessation of employment unless the Board determines otherwise, eg in the case of retirement due to injury, disability, death or redundancy.

#### 4. LINK BETWEEN REMUNERATION AND PERFORMANCE

The Group's performance in 2017 did not meet the relevant EBITDA targets required to trigger STI payments to KMP. The Board approved the payment of one-off discretionary bonuses to the following executives for efforts in relation to the IPO:

EMPLOYEE	AMOUNT	STATUS
Craig Kinross	\$800,000	Accrued as at 30 June 2017 and subsequently paid in August 2017.
Greg Davies	\$40,000	Accrued as at 30 June 2017 and subsequently paid in August 2017.
Paul Shipley	\$10,000	Paid in June 2017.

The Company has completed a number of acquisitions in recent years, and as a result some executives have STI plans based on metrics other than as outlined in Figure 2, and therefore some one-off bonus or KPI payments have been made for non KMP executives, in accordance with their employment contracts.

##### 4.1 STATUTORY PERFORMANCE INDICATORS

MSL aims to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The Company's annual financial performance and indicators of shareholder wealth for the current financial period are listed below. As the Company listed in May 2017, these performance measures have not been included for prior financial periods.

However, these measures are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP's. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded. It should be noted that FY17 included a number of one-off technical accounting adjustments related to acquisitions and IPO, which will not be evident in future years.

**Figure 4: Statutory Performance Indicators**

	FY17
NPAT (\$'000)	<b>\$(10,763)</b>
Dividends per share (cps)	<b>Nil</b>
Earnings per share (cps)	<b>(0.09)</b>

The Company's share price on listing was \$0.25 per share, and the share price as at 30 June 2017 was \$0.325 per share.

# REMUNERATION REPORT

## 5. REMUNERATION EXPENSES FOR EXECUTIVE KMP

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Figure 5: Executive remuneration

NAME	YEAR	FIXED REMUNERATION				VARIABLE REMUNERATION				% PERFORMANCE RELATED	
		CASH SALARY	NON-MONETARY BENEFITS	ANNUAL & LONG SERVICE LEAVE	POST EMPLOYMENT BENEFITS	OTHER	CASH BONUS	OPTIONS	SHARES		TOTAL
<b>Executive Directors</b>											
Craig Kinross	2017	\$150,000	-	\$10,994	\$20,230	\$17,120	\$800,000	\$(33,093)	\$2,250,000	\$3,215,251	94%
	2016	\$150,192	-	\$14,213	\$21,142	-	\$47,500	\$33,093	-	\$266,140	30%
<b>Other Key Management</b>											
Paul Shipley	2017	\$153,386	-	\$6,166	\$15,569	-	\$10,000	-	-	\$185,121	5%
	2016	\$36,923	-	\$2,529	\$3,509	-	-	\$1,045	-	\$44,006	2%
Greg Davies	2017	\$153,538	-	\$13,356	\$28,632	-	\$40,000	\$(2,613)	\$130,926	\$363,839	46%
	2016	\$140,539	-	\$11,394	\$32,612	-	-	\$2,613	-	\$187,158	1%
James Aleman	2017	\$81,000	-	\$6,123	\$7,695	-	-	\$18,833	-	\$113,651	17%
	2016	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2017</b>	<b>\$537,924</b>	<b>-</b>	<b>\$36,639</b>	<b>\$72,126</b>	<b>\$17,120</b>	<b>\$850,000</b>	<b>\$(16,873)</b>	<b>\$2,380,926</b>	<b>\$3,877,862</b>	
<b>Total</b>	<b>2016</b>	<b>\$327,654</b>	<b>-</b>	<b>\$28,136</b>	<b>\$57,263</b>	<b>-</b>	<b>\$47,500</b>	<b>\$36,751</b>	<b>-</b>	<b>\$497,304</b>	

Notes to the above table:

- As part of the IPO process, exercisable options issued to Craig Kinross and Greg Davies were surrendered and ordinary shares allocated. The issue of securities to Craig Kinross and Greg Davies represents a share based payment and the above values have been determined in accordance with AASB2.
- The value of options issued to Paul Shipley and James Aleman have also been determined in accordance with AASB2.
- Other amounts paid to Craig Kinross represent expenses incurred as a result of travel obligations during the period prior to the IPO.

## 6. CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMP'S

COMPONENT	CEO & MANAGING DIRECTOR	OTHER KMP
Fixed Remuneration	\$300,000	Range between \$160,000 and \$195,000
Contract Duration	Ongoing contract	Ongoing contract
Notice by the individual/ Company	3 months	3 months
Termination of employment (without cause)	Entitlement to pro-rata STI for the year The Board has discretion to award a greater or lower amount	
Termination of employment (with cause) or by the individual	STI is not awarded, and all unvested LTI will lapse Vested and unexercised LTI can be exercised within a period of 10 days from termination	

Different contractual terms apply to the following individuals:

James Aleman	<ol style="list-style-type: none"> <li>STI payment for the period from commencement to 31 July 2017, is based on completion of specific KPI's relating to the production of sales and marketing materials designed to enhance sales team members pitch to customers. As at 30 June 2017, the performance measures for this STI had yet to be completed, however these KPI's were subsequently achieved by 31 July 2017.</li> <li>The STI has a value of \$0 if not achieved and \$45,000 if achieved.</li> <li>Thereafter the employee will move to standard STI measures</li> </ol>
Paul Shipley	<ol style="list-style-type: none"> <li>Notice by either individual or Company is 1 month</li> </ol>



# REMUNERATION REPORT

## 7. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Non-executive directors receive a fixed Board fee inclusive of superannuation and no additional fees for chairing or participating on Board committees, see table below.

However, during financial year ending 30 June 2016 options were granted as compensation for Board fees, as approved by shareholders at the annual general meeting on 30 November 2015. Accordingly, Richard Holzgrefe, Ian Daly and John Down were each granted 1,100,000 fully vested options at an exercise price of \$0.155. Prior to IPO, as part of the consolidation process approved by shareholders, these options were consolidated to 785,714 options in accordance with the same rules applied to all other securities, and there was no subsequent change in accounting value on consolidation.

The chairman does not receive additional fees for participating in or chairing committees, and Non-executive directors will no longer receive performance-based pay or retirement allowances.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed with effect from 1 March 2017.

The maximum annual aggregate directors' fee pool limit is \$250,000 and was approved by shareholders at the annual general meeting on 30 November 2015.

BASE FEES	
Chair	\$48,000
Other non-executive directors	\$48,000
ADDITIONAL FEES	
Audit committee - Chair	Nil
Audit committee - member	Nil
Remuneration committee - Chair	Nil
Remuneration committee - member	Nil

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Figure 6: Non-executive director remuneration

NAME	YEAR	FIXED REMUNERATION				VARIABLE REMUNERATION					PERFORMANCE RELATED
		CASH SALARY	NON-MONETARY BENEFITS	ANNUAL & LONG SERVICE LEAVE	POST EMPLOYMENT BENEFITS	OTHER	CASH BONUS	OPTIONS	SHARES	TOTAL	
<b>Non-executive Directors</b>											
John Down	2017	\$36,000	-	-	-	-	-	-	-	\$36,000	0%
	2016	-	-	-	-	\$25,000	-	\$10,608	-	\$35,608	30%
Richard Holzgrefe	2017	\$36,000	-	-	-	\$11,055	-	-	-	\$47,055	0%
	2016	-	-	-	-	\$25,000	-	\$10,608	-	\$35,608	30%
Ian Daly	2017	\$36,000	-	-	-	-	-	-	-	\$36,000	0%
	2016	-	-	-	-	\$25,000	-	\$10,608	-	\$35,608	30%
Kaylene Gaffney	2017	\$14,612	-	-	\$1,388	-	-	-	-	\$16,000	0%
	2016	-	-	-	-	-	-	-	-	-	-
David Trude	2017	\$14,612	-	-	\$1,388	-	-	-	-	\$16,000	0%
	2016	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2017</b>	<b>\$137,224</b>	<b>-</b>	<b>-</b>	<b>\$2,776</b>	<b>\$11,055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$151,055</b>	<b>-</b>
<b>Total</b>	2016	-	-	-	-	\$75,000	-	\$31,824	-	\$106,824	-

Notes:

The 2016 Payments listed as Other Remuneration for J Down, R Holzgrefe, and I Daly represent one-off fees in relation to FY16 Capital Raising.

# REMUNERATION REPORT

## 8. ADDITIONAL STATUTORY INFORMATION

### 8.1 PERFORMANCE BASED REMUNERATION GRANTED & FORFEITED DURING THE YEAR

Figure 7 shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of options that were granted and forfeited during FY17.

**Figure 7: Performance based remuneration granted and forfeited during the year**

NAME		STI			LTI		
		TOTAL OPPORTUNITY	FORFEITED	AWARDED	TOTAL OPPORTUNITY	FORFEITED	AWARDED
Craig Kinross	CEO	100,000	100%	0%	2,216,906	-	
Greg Davies	KMP	45,000	100%	0%	128,313	-	
James Aleman	KMP	Refer Note 2	-	-	18,833	-	

1. Craig Kinross, Paul Shipley and Greg Davies received a discretionary bonus upon the successful listing of MSL Solutions Limited.
2. James Aleman - As at 30 June 2017, the performance measures for this STI had yet to be completed, however these KPI's were subsequently achieved by 31 July 2017.
3. Paul Shipley had no STI component during the period.

The above figures exclude cash incentives.

### 8.2 TERMS AND CONDITIONS OF THE SHARE-BASED PAYMENT ARRANGEMENTS

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING & EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	% VESTED
18-Dec-15	18-Dec-15	18-Dec-20	\$0.155	\$0.096	100%
21-Oct-15	21-Oct-15	21-Oct-20	\$0.220	\$0.035	100%
30-May-16	30-May-16	30-May-21	\$0.220	\$0.035	100%
15-May-17	15-May-17	15-May-22	\$0.350	\$0.063	100%

The number of options over ordinary shares in the Company provided as remuneration to key management personnel is shown in figure 8 below. The options carry no dividend or voting rights until exercised.

When exercisable, each option is convertible into one ordinary share of MSL Solutions Limited.

The exercise price for options granted 18 December 2015, was approved by shareholders at the AGM held November 2015 and related to grants of options to Directors as reward for their significant financial support and contributions over many years and as an incentive for future performance.

The exercise price of all other option grants to date, was based on a 40% uplift over the previous traded price at the time of granting the option. The Board deemed that this was a reasonable estimate of achievable growth as an unlisted entity.

### 8.3 RIGHTS TO DEFERRED SHARES

There are no rights to deferred shares for either Directors, key management personnel, or staff.

#### 8.4 RECONCILIATION OF OPTIONS, DEFERRED SHARES AND ORDINARY SHARES HELD BY KMP

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY2017. All vested options were exercisable.

**Figure 8: Options**

NAME	GRANT DATE	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	CONSOLIDATION PRIOR TO IPO	RECEIVED ON SURRENDER OF OPTIONS AT IPO	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
<b>Options</b>									
John Down	18-Dec-15	1,100,000	-	(314,286)	-	-	785,714	785,714	-
Richard Holzgrefe	18-Dec-15	1,100,000	-	(314,286)	-	-	785,714	785,714	-
Ian Daly	18-Dec-15	1,100,000	-	(314,286)	-	-	785,714	785,714	-
Kaylene Gaffney	-	-	-	-	-	-	-	-	-
David Trude	-	-	-	-	-	-	-	-	-
Craig Kinross	21-Oct-15	9,500,000	-	(2,714,286)	(6,785,714)	-	-	-	-
Paul Shipley	30-May-16	-	300,000	(85,714)	-	-	214,286	214,286	-
Greg Davies	21-Oct-15	750,000	-	(214,286)	(535,714)	-	-	-	-
James Aleman	15-May-17	-	300,000	-	-	-	300,000	300,000	-
		<b>13,550,000</b>	<b>600,000</b>	<b>(3,957,144)</b>	<b>(7,321,428)</b>	<b>-</b>	<b>2,871,428</b>	<b>2,871,428</b>	<b>-</b>

Options issued to Craig Kinross and Greg Davies were replaced on completion of the IPO in return for the issue of ordinary shares for nil cash consideration. No amounts are unpaid on any shares issued on the exercise of options.

# REMUNERATION REPORT

Figure 9: Shareholdings

NAME	BALANCE AT THE START OF THE YEAR	CONSOLIDATION PRIOR TO IPO	RECEIVED ON CONVERSION OF NOTES	RECEIVED ON SURRENDER OF OPTIONS AT IPO	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR	HELD IN ESCROW
<b>Ordinary shares</b>							
John Down	10,339,486	(2,954,139)	-	-	-	7,385,347	7,385,347
Richard Holzgrefe	16,886,684	(4,824,767)	500,000	-	50,000	12,611,917	12,561,917
Ian Daly	12,350,000	(3,528,571)	-	-	392,857	9,214,286	8,821,429
Kaylene Gaffney	-	-	-	-	80,000	80,000	-
David Trude	-	-	250,000	-	50,000	300,000	250,000
Craig Kinross	1,397,580	(399,309)	500,000	9,000,000	-	10,498,271	10,498,271
Paul Shipley	161,000	(46,000)	500,000	-	155,000	770,000	-
Greg Davies	322,581	(92,166)	500,000	523,704	-	1,254,119	-
James Aleman	-	-	-	-	40,000	40,000	-
	<b>41,457,331</b>	<b>(11,844,952)</b>	<b>2,250,000</b>	<b>9,523,704</b>	<b>767,857</b>	<b>42,153,940</b>	<b>39,516,964</b>

The above table includes consolidated holdings as held by the Directors and key management personnel. None of the shares above are held nominally by the directors or any of the other key management personnel.

## 8.5 LOANS GIVEN TO/FROM KEY MANAGEMENT PERSONNEL

Details of loans made to directors of MSL Solutions Limited and other key management personnel of the group, including their close family members and entities related to them, are set out below.

1. During FY17, Director Rick Holzgreffe provided two loans to the Company, as approved by the Board, as follows:
  - a. Loan amount of \$300,000 for 1-month duration paid out in full November 2016, with interest paid in the amount of \$2,057 at a rate of 8.23%, and
  - b. Loan amount of \$173,500 loan paid out in full April 2017, with interest paid in the amount of \$8,997 at a rate 8.23% interest.
2. In November 2016, the Company entered into a Converting Note Deed under which it issued Converting Notes to certain institutional and other investors. On completion of the IPO, the Converting Notes were converted to ordinary shares, at an effective conversion price of \$0.20, equivalent to a 20% discount to the IPO offer price. A number of Directors and Key Management Personnel purchased Converting Notes in accordance with the same conditions as other investors, as outlined in figure 9.

## 8.6 RELIANCE ON EXTERNAL REMUNERATION CONSULTANTS

During FY17, McCullough Robertson were engaged to provide advice on share based remuneration requirements. Previously, McCullough Robertson had designed the company's long-term incentive program for directors and key management personnel.

## 8.7 VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

Prior to the IPO on 4 May 2017, the Company was not required to release a detailed remuneration report, and therefore no shareholder vote was required at last year's annual general meeting.

## INDEMNIFYING DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium of \$69,695 to insure the Directors and Officers of the Company. The terms of the insurance contract prevent additional disclosure.

In addition, the Company has entered into Deeds of Access, Insurance Indemnity which ensure the Directors and Officers of the Company will incur, to the extent permitted by law, no monetary loss as a result of defending the actions taken against them as Directors and Officers.

## OPTIONS & PERFORMANCE RIGHTS

To assist in the attraction, retention and motivation of employees, the Company operates an option plan.

The number of options (which are fully vested and exercisable) over ordinary shares outstanding at 30 June 2017 are as follows:

GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER
18-Dec-15	18-Dec-15	18-Dec-20	\$0.155	2,357,142
21-Oct-15	21-Oct-15	21-Oct-20	\$0.220	1,250,000
30-May-16	30-May-16	30-May-21	\$0.220	1,071,430
15-May-17	15-May-17	15-May-22	\$0.350	300,000

No further employee performance rights have been issued up to the date of this report.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.



# REMUNERATION REPORT

## NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act (2001)*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### PRICEWATERHOUSECOOPERS AUSTRALIA

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

#### A) PRICEWATERHOUSECOOPERS AUSTRALIA

##### i. Audit and other assurance services

	2017 \$'000	2016 \$'000
Audit and review of financial statements	206	-
Due diligence services	430	-
<b>Total remuneration for audit and other assurance services</b>	<b>636</b>	-
<b>Total remuneration PricewaterhouseCoopers</b>	<b>636</b>	-

#### B) NETWORK FIRMS OF PRICEWATERHOUSECOOPERS AUSTRALIA

##### i. Audit and other assurance services

PricewaterhouseCoopers United Kingdom

	2017 \$'000	2016 \$'000
Audit and review of financial statements	28	-
<b>Total remuneration for audit and other assurance services</b>	<b>28</b>	-

PricewaterhouseCoopers Denmark

	2017 \$'000	2016 \$'000
Audit and review of financial statements	11	-
<b>Total remuneration for audit and other assurance services</b>	<b>11</b>	-
<b>Total remuneration of network firms of PricewaterhouseCoopers Australia</b>	<b>39</b>	-

## C) NON-PRICEWATERHOUSECOOPERS AUDIT FIRMS

### i. Audit and other assurance services

	2017 \$'000	2016 \$'000
Audit and review of financial statements	26	58
Audit and review fees capitalised due to nexus with IPO	159	-
<b>Total remuneration for audit and other assurance services</b>	<b>185</b>	<b>58</b>

### ii. Taxation services

	2017 \$'000	2016 \$'000
Tax compliance services	-	40
<b>Total remuneration for tax services</b>	<b>-</b>	<b>40</b>
<b>Total remuneration of non-PricewaterhouseCoopers audit firms</b>	<b>185</b>	<b>98</b>
<b>Total auditors remuneration</b>	<b>860</b>	<b>98</b>

Fees paid to auditors of \$589k have been capitalised as it has a direct correlation to raising of new capital.

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the Group are important. These assignments are principally tax advice and review of acquisition accounting, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's independence declaration can be found on the page following this Directors' report and forms part of the Directors' report for the year ended 30 June 2017.

## ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



**John Down**  
Chairman



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

Dated at Brisbane this 31st day of August 2017.



# AUDITOR'S INDEPENDENCE DECLARATION



## Auditor's Independence Declaration

As lead auditor for the audit of MSL Solutions Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Michael Crowe'.

Michael Crowe  
Partner  
PricewaterhouseCoopers

Brisbane  
31 August 2017

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**2017**

FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	JUN 17 \$'000	JUN 16 \$'000
Revenue	4	23,665	11,289
Other income	4	707	426
Cost of sales		(5,409)	(1,898)
Sales and marketing expenses		(4,577)	(3,164)
Customer support and technical services		(3,776)	(2,843)
Research and development expenses		(4,270)	(1,331)
General and administration expenses		(7,374)	(1,635)
Other gains and expenses	5	(4,700)	(118)
Depreciation expense	8a	(167)	(81)
Amortisation expense	8b	(4,122)	(1,898)
Transaction costs	3e	(991)	(418)
Finance costs	5d	(812)	(157)
<b>(Loss) before income tax</b>		<b>(11,826)</b>	<b>(1,828)</b>
Income tax benefit/(expense)	6	1,063	466
<b>(Loss) for the period</b>		<b>(10,763)</b>	<b>(1,362)</b>
Other comprehensive income for the year		235	-
<b>Total comprehensive(loss) for the period</b>		<b>(10,528)</b>	<b>(1,362)</b>
<b>(Loss) attributable to:</b>			
Owners of MSL Solutions Limited		(10,528)	(1,362)
		<b>(10,528)</b>	<b>(1,362)</b>
<b>Total comprehensive (loss) for the period attributable to:</b>			
Owners of MSL Solutions Limited		(10,528)	(1,362)
		<b>(10,528)</b>	<b>(1,362)</b>
<b>EARNINGS PER SHARE FROM LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>CENTS</b>	<b>CENTS</b>
Basic earnings per share	21	(0.09)	(0.02)
Diluted earnings per share	21	(0.09)	(0.02)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

	NOTE	JUN 17 \$'000	JUN 16 \$'000
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	7b	11,897	2,749
Trade and other receivables	7a	6,336	3,053
Assets classified as held for sale	8f	2,212	2,258
Other current assets		573	244
<b>Total current assets</b>		<b>21,018</b>	<b>8,304</b>
<i>Non-current assets</i>			
Receivables	7a	888	888
Property, plant and equipment	8a	306	237
Intangible assets	8b	41,386	15,849
Other non-current assets		185	130
<b>Total non-current assets</b>		<b>42,765</b>	<b>17,104</b>
<b>Total assets</b>		<b>63,783</b>	<b>25,408</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables	7c	5,665	4,417
Borrowings	7d	225	309
Provisions	8e	5,296	2,009
Income tax payable		461	145
Deferred revenue		5,360	2,895
<b>Total current liabilities</b>		<b>17,007</b>	<b>9,774</b>
<i>Non-current liabilities</i>			
Trade and other payables	7c	988	163
Deferred tax liability	8c	3,522	2,539
Provisions	8e	1,398	861
<b>Total non-current liabilities</b>		<b>5,908</b>	<b>3,563</b>
<b>Total liabilities</b>		<b>22,915</b>	<b>13,337</b>
<b>Net assets</b>		<b>40,868</b>	<b>12,071</b>
<b>EQUITY</b>			
Contributed equity	9a	61,085	21,629
Reserves	9b	338	234
Accumulated losses	9c	(20,555)	(9,792)
<b>Total equity</b>		<b>40,868</b>	<b>12,071</b>

The consolidated balance sheet should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	SHARE-BASED PAYMENT RESERVE \$'000	TOTAL EQUITY \$'000
<b>Balance as at 1 July 2015 – restated</b>	<b>15,295</b>	<b>(8,029)</b>	<b>-</b>	<b>150</b>	<b>7,416</b>
<b>Total comprehensive income for the year</b>					
Profit/(loss) for the year	-	(1,362)	-	-	(1,362)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,362)</b>	<b>-</b>	<b>-</b>	<b>(1,362)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	6,334	-	-	-	6,334
Dividends paid	-	(401)	-	-	(401)
Share-based payments expense	-	-	-	84	84
<b>Total transactions for the year</b>	<b>6,334</b>	<b>(401)</b>	<b>-</b>	<b>84</b>	<b>6,017</b>
<b>Balance as at 1 July 2016 – restated</b>	<b>21,629</b>	<b>(9,792)</b>	<b>-</b>	<b>234</b>	<b>12,071</b>
<b>Total comprehensive income for the year</b>					
Profit/(loss) for the year	-	(10,763)	-	-	(10,763)
Foreign currency translation reserve differences	-	-	235	-	235
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(10,763)</b>	<b>235</b>	<b>-</b>	<b>(10,528)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	39,306	-	-	(150)	39,156
Share-based payments expense	150	-	-	19	169
<b>Total transactions for the year</b>	<b>39,456</b>	<b>-</b>	<b>-</b>	<b>(131)</b>	<b>39,325</b>
<b>Balance as at 30 June 2017</b>	<b>61,085</b>	<b>(20,555)</b>	<b>235</b>	<b>103</b>	<b>40,868</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

The opening balances at 1 July 2015 have been restated for retained earnings and reserves to reflect accounting standard treatment to align with current accounting policies. These adjustments were not material and had no impact on current year earnings.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	JUN 17 \$'000	JUN 16 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		22,067	11,306
Research and development incentives received		721	330
Payments to suppliers, employees and others		(23,171)	(10,914)
Finance costs		-	(157)
Interest received		3	-
Acquisition related costs		-	-
Income tax paid		(140)	-
<b>Net cash flows from operating activities</b>	10(a)	<b>(520)</b>	<b>565</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(251)	(986)
Purchase of intangibles		(1,525)	-
Acquisition of subsidiaries net of cash & cash equivalents		(18,724)	(707)
Dividend received		-	-
Interest received		-	-
Proceeds from disposal of fixed assets		-	-
Proceeds from disposal of investment		35	25
<b>Net cash flows from investing activities</b>		<b>(20,465)</b>	<b>(1,668)</b>
<b>Cash flows from financing activities</b>			
Issuance of share capital		15,975	5,841
Repayment of borrowings		(174)	(1,913)
Issuance of converting notes		17,000	-
Repayment of finance leases		-	(117)
Costs paid on issuance of share capital		(1,930)	(216)
Costs paid on issuance of converting notes		(779)	-
Dividend paid		-	(401)
<b>Net cash flows from financing activities</b>		<b>30,092</b>	<b>3,194</b>
<b>Net cash inflows for the year</b>		<b>9,107</b>	2,091
<b>Cash at beginning of the year</b>		<b>2,634</b>	543
<b>Cash at end of the year</b>		<b>11,741</b>	<b>2,634</b>

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved for issue by the directors on 31 August 2017. The Directors have the power to amend and re-issue the financial statements.

## 1. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- › The acquisition of Verteda Holdings Limited on 31 October 2016 (see *Note 3*), which resulted in recognition of intangible assets (*Note 8*) and goodwill (*Note 8*).
- › The acquisition of GolfBox A/S (GolfBox) on 14 November 2016 (see *Note 3*), which resulted in recognition of intangible assets (*Note 8*) and goodwill (*Note 8*).
- › On 4 May 2017, the Company was listed on the Australian Securities Exchange (ASX) and became a public company.
- › Contributed equity increased by as a result of the conversion of the Converting Notes and rights issue as part of listing on ASX. Details of the changes in contributed equity are disclosed in *Note 9* of the financial statements

## 2. SEGMENT INFORMATION

### A) DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES

The Group's executive management, consisting of Chief Executive Officer, the Chief Financial officer, General Manager Corporate Development and Chief Revenue Officer, examines the Group's performance from a product perspective with entities in similar markets grouped on an international level. The following are the identified reportable segments:

1. **MPower Venue:** services the stadia and arena and registered clubs (excluding golf clubs) on a global basis. Since November 2016, management has monitored the performance on a global basis since the acquisition of Verteda Holdings Limited.
2. **MPower Golf:** service the golf clubs and associations market on a global basis. Since November 2016 management has monitored the performance on a global basis since the acquisition of GolfBox A/S ("GolfBox").
3. **MPower Media:** Services the sports, leisure and hospitality clients with loyalty/media member engagement solutions, and facilitates relationships with media partners. The segment includes the Pallister Games assets acquired in May 2017.
4. **MPower BI:** services the sports, leisure, and hospitality clients with a business analytics service providing historical, current, and predictive views of business operations.
5. **Corporate:** Group overheads and on costs that are monitored on a global basis.

Management primarily uses a measure of revenue and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance on a monthly basis. Information about segment revenue is detailed below.

## B) SEGMENT REVENUE AND ADJUSTED EBITDA

YEAR ENDED 30 JUNE 2017	SEGMENT REVENUE \$'000	SEGMENT ADJUSTED EBITDA \$'000
MPower Venue	15,752	2,384
MPower Golf	6,401	1,345
MPower BI	659	(113)
MPower Media	853	262
Corporate	-	(2,258)
<b>Total</b>	<b>23,665</b>	<b>1,620</b>

YEAR ENDED 30 JUNE 2016	SEGMENT REVENUE \$'000	SEGMENT ADJUSTED EBITDA \$'000
MPower Venue	7,433	1,493
MPower Golf	3,416	468
MPower BI	138	110
MPower Media	302	(10)
Corporate	-	(1,589)
<b>Total</b>	<b>11,289</b>	<b>472</b>

Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as transaction costs, impacts from fair value movements through the income statement, non-recurring executive bonuses and gains resulting from acquisition accounting.

### Geographical earnings

Revenue of Verteda Holdings Limited included in the Group revenue since the acquisition date 31 October 2016 amounted to \$6,603k. The original currency of pounds' sterling has been converted to the presentation currency of the Group at 30 June 2017 as per the company's accounting policy detailed in *Note 24*.

Revenue of GolfBox included in the Group revenue since the acquisition date 14 November 2016 amounted to \$2,116k. The original currency of Danish krone has been converted to the presentation currency of the Group at 30 June 2017 as per the company's accounting policy detailed in *Note 24*. Profits of GolfBox included in the Group profit/(loss) since the acquisition date amounted to \$690k prior to amortisation and \$103k after amortisation expenses of \$586k that relates to the acquired Contracts and Customer Relationships and Software.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C) SEGMENT ADJUSTED EBITDA RECONCILIATION TO PROFIT/(LOSS) BEFORE TAX

RECONCILIATION OF ADJUSTED EBITDA TO PROFIT / (LOSS) BEFORE INCOME TAX:	30-JUN-17 \$'000	30-JUN-16 \$'000
Total segment Adjusted EBITDA	1,620	472
Transaction costs	(991)	(418)
Restructuring costs	(36)	-
Foreign exchange losses	(324)	-
Senior management bonus	(3,342)	-
Fair value movement on financial liability	(4,339)	-
Finance costs	(812)	(157)
Depreciation and amortisation	(4,289)	(1,979)
Gain on reversal of earnout provisions	687	372
Gain on acquisition	-	-
Share of loss of associates/joint ventures accounted for using the Equity Method	-	(118)
<b>(Loss) before income tax</b>	<b>(11,826)</b>	<b>(1,828)</b>

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same ways as in the consolidated statement of profit or loss and other comprehensive income.

### 3. BUSINESS COMBINATIONS

MSL's growth strategy is based upon four key components: strong organic growth in existing sales segments, cross-selling opportunities between sales segments, expansion of the business intelligence and analytics platform and accelerated growth through acquisitions.

MSL uses acquisitions to grow the marketplace of clients, acquire new software capabilities and knowledge and to enter new markets and geographies.

In October and November 2016 MSL expanded via acquisition into the European market with acquisitions of Verteda Holdings Limited in the United Kingdom and GolfBox A/S in Denmark. The acquisitions of Verteda and GolfBox have transformed MSL into a global player in the sport, leisure and hospitality software sector.

- › Verteda is a leader in software solutions to sporting, hospitality and stadia clients in the UK;
- › GolfBox is focused on the development and sale of software for the golf industry.

Both companies have been integrated into MSL following a 100-day integration plan.

In May 2017, MSL acquired certain member engagement product assets from Ray Pallister Pty Ltd ("Pallister Games"). The products are used to promote member attendance and participation by programmatically awarding prizes or loyalty incentives. The solutions have application across all MSL sales segments globally.

The following table provides a breakdown of the consideration paid and the intangibles created for each acquisition:

		UPFRONT CONSIDERATION \$'000	DEFERRED AND CONTINGENT CONSIDERATION \$'000	TOTAL CONSIDERATION \$'000	CONSIDERATION REMAINING 30 JUNE 2017 \$'000	INTANGIBLES \$'000
Verteda Holdings	a	10,423	3,893	14,316	2,468	14,864
GolfBox A/S	b	5,931	3,647	9,578	3,765	11,447
Pallister Games	c	1,600	1,150	2,750	1,150	3,115
<b>Total</b>		<b>17,954</b>	<b>8,690</b>	<b>26,644</b>	<b>7,383</b>	<b>29,426</b>

In addition to these acquisitions MSL Solutions Limited also finalised the contingent consideration on a number of prior year acquisitions. This finalization contributed \$687k to the other income of the Group.

The cash out flows for acquisitions throughout the financial year, net of cash acquired are detailed below:

	AMOUNT \$'000
Verteda	(10,114)
GolfBox	(4,989)
Pallisters	(1,600)
Rockit	(500)
InfoGenesis	(530)
	<b>(17,733)</b>
Transaction costs	(991)
	<b>(18,724)</b>

Specifics in relation to each of these acquisitions and contingent considerations are discussed in further details below.

## A) ACQUISITION OF VERTEDA HOLDINGS LIMITED

### i. Summary of acquisition

On 31 October 2016 MSL Solutions Limited acquired 100% of the issued capital in Verteda Holdings Limited ("Verteda"). Verteda is a leader in software solutions to the sporting, hospitality and stadia clients in the UK.

The acquisition has provided significant growth opportunities that benefit MSL in the following ways:

- › Enhancing MSL's growth in the UK, Europe, the US and Asia in complementary sports, stadia and hospitality venues; and
- › Verteda's solution set is complementary to the MSL MPower platform.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The consideration paid to acquire Verteda Holdings Limited includes £8,928k in cash made up of the following:

- › £6,500k upon completion, paid on 3 November 2016;
- › £750k upon determination of net tangible assets, paid on 16 December 2016;
- › £200k deferred acquisition payments, paid 25 April 2017;
- › £200k further deferred acquisition payments; and
- › £1,278k holdback EBITDA target payments

The deferred payment of £400k is to be paid in two instalments of £200k. The first instalment was paid on 25 April 2017 which was within the six-month anniversary from completion. The remaining £200k to be paid on the anniversary of completion (31 October 2017).

The holdback EBITDA target payments have been calculated on the audited consolidated profit and loss statement of Verteda for the financial year ending 31 March 2017. The finalised EBITDA statements were agreed on 28 June 2017, and subsequent to 30 June 2017 payment was made for £1,250k with £28k released to the profit and loss for the financial year ended 30 June 2017.

The fair value of the contingent consideration was £1,278k and was estimated using the "income approach". The acquiree's net revenue expectations were used to determine the undiscounted amounts of contingent consideration to which a likelihood of achievement was applied. Upon agreement of the EBITDA statements on 28 June 2017 the contingent consideration was crystallised at the value of £1,250k which has been accounted for as a current liability as this payment will be due and payable within twelve months.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The functional currency of Verteda is Pound Sterling. Assets and liabilities recognised as a result of the acquisition are as follows:

SUMMARY OF ACQUIRED NET ASSETS - PROVISIONAL AMOUNTS	£'000 GBP	\$'000 AUD
Cash and cash equivalents	1,132	1,815
Trade debtors	916	1,468
Prepayments and accrued revenue	153	246
Property, plant and equipment	47	75
Software	292	469
Intangibles - software	1,417	2,272
Intangibles - customer contracts	2,335	3,745
Trade creditors	(809)	(1,298)
VAT/tax payable	(392)	(633)
Accrued expenses	(50)	(82)
Income in advance	(696)	(1,116)
Deferred tax liability	(638)	(1,023)
<b>Fair value of net assets acquired</b>	<b>3,707</b>	<b>5,938</b>
<b>Purchase consideration</b>		
Cash paid	6,500	10,423
Deferred cash payable	400	641
Contingent consideration - cash	1,278	2,049
Contingent consideration - NTA payment	750	1,203
Shares issued	0	0
	<b>8,928</b>	<b>14,316</b>
<b>Goodwill</b>	<b>5,221</b>	<b>8,378</b>

The goodwill is attributable to the expected continued growth of the customer base throughout Europe and with cross selling opportunities to clients of other Group entities.

### Significant estimate: adjustments to provisional amounts previously reported

As part of the condensed interim consolidated financial statements for the half year ended 31 December 2016 the Group provided provisional acquired net assets. These provisional amounts were prepared with the Groups knowledge at that time. As at 30 June 2017 the following provisional amounts have been adjusted following further review:

#### Prepayments

A decrease to prepayments acquired has been recorded in the amount of \$47k.

#### Property, plant and equipment

Previously reported as a gross number including software. Upon further review these items have been split to accurately reflect the acquired assets.

#### Software

Previously reported as part of the provisional property, plant and equipment. These assets have now been recorded as a separate asset to more accurately reflect the acquired assets of Verteda.

#### Intangibles – software and customer contracts

During the six months ending 30 June 2017 the previous assumptions used in the multi-period excess earning method model were adjusted which altered the provisional value included in the condensed interim consolidated financial statements for the half year ended 31 December 2016.

These adjustments included adjustments to the post-tax discount rate and the input of a business churn rate. The change of these assumptions has materially affected the value of the intangible software.

#### Deferred tax liabilities

Due to a change in the tax treatment of intangible assets created on acquisition from “recovered through sale” to “recovered through use” goodwill has been recalculated on number of acquisitions with the associated increase being offset by an increase in the deferred tax liabilities of the Group.

#### Significant estimate: Contingent consideration

On acquisition date, the fair value of the contingent consideration of \$2,048k was calculated using the ‘income approach’ as detailed above. As mentioned above the carrying value of the contingent consideration has been reduced upon agreement of the EBITDA statements on 28 June 2017. An adjustment of \$48k has been accounted for as a gain on reversal of earnout in the Other income section of the Consolidated statement of profit and loss.

#### Acquired receivables

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

#### Revenue and profit contribution

Revenue of Verteda Holdings Limited included in the Group revenue since the acquisition date 31 October 2016 amounted to \$6,603k. The original currency of pounds’ sterling has been converted to the presentation currency of the Group at 30 June 2017 as per the Groups accounting policy detailed in *Note 24*.

Profit of Verteda Holdings Limited included in the Group profit since the acquisition date amounted to \$1,360k prior to amortisation and \$861k including amortization expense of \$498k on the acquired Contracts and Customer Relationships and Software.

#### ii. Purchase consideration – cash outflow

PAYMENT DESCRIPTION	DATE PAID	AMOUNT £'000	AMOUNT \$'000
Cash and cash equivalents acquired	11/1/2016	1,132	1,815
Completion payment	11/3/2016	(6,500)	(10,405)
NTA payment	12/16/2016	(750)	(1,203)
Deferred payment	4/25/2017	(200)	(321)
<b>Total cash outflow</b>		<b>(6,318)</b>	<b>(10,114)</b>

#### Acquisition-related costs

Acquisition-related costs are included in ‘transaction costs’ in profit or loss and discussed in further detail in *Note 3(e)*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B) ACQUISITION OF GOLFBOS A/S (“GOLFBOS”)

### i. Summary of acquisition

On 14 November 2016 MSL Solutions acquired 100% of the issued share capital of GolfBox A/S (“GolfBox”) which operates in the golf management software industry in Europe.

The acquisition has provided growth opportunities that benefit MSL in the following ways:

- › Enhanced MSL’s growth in the golf markets in the United Kingdom, Europe, the US and Asia; and
- › GolfBox’s solution set is complementary to the solution set currently offered by MSL.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

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

- › kr28,050k cash paid upon completion 14 November 2016;
- › kr5,100k deferred cash payment to be paid on the anniversary of completion.
- › kr9,214k holdback EBIT payment to be paid on the completion of financial year ending 30 April 2018 for audited accounts for the financial year ending 30 April 2017 and financial year 30 April 2018 figures.
- › kr5,100k deferred cash payment to be paid 50% on first anniversary of completion and 50% on second anniversary of completion.
- › kr549k has been agreed for the negative net tangible asset position as at 1 November 2016. This amount will be deducted from the deferred payment due on the anniversary of completion.
- › A total of 2,272,727 shares have been issued at fair value of \$0.22 to C. Faergemann.

The functional currency of GolfBox is Danish Krone. Assets and liabilities recognised as a result of the acquisition are as follows:

SUMMARY OF ACQUIRED NET ASSETS - PROVISIONAL AMOUNTS	KR'000	\$'000
Cash and cash equivalents	2,281	442
Trade debtors	527	102
Other	312	60
Intangibles - contracts and customer relationships	3,006	582
Intangibles - customer contracts	35,824	6,937
Other payables	(280)	(55)
Deferred revenue	(1,816)	(352)
Employee and taxation provisions	(2,134)	(413)
Deferred tax liabilities	(8,543)	(1,654)
<b>Fair value of net assets acquired</b>	<b>29,177</b>	<b>5,649</b>
<b>Purchase consideration</b>		
Cash paid	28,050	5,431
Contingent consideration - cash	9,214	1,778
Deferred cash payable	10,200	1,975
NTA (discount) - deferred	(549)	(106)
Shares issued	2,550	500
	<b>49,465</b>	<b>9,578</b>
<b>Goodwill</b>	<b>20,288</b>	<b>3,928</b>

The goodwill is attributable to the expected continued growth of the customer base throughout Europe and with cross selling opportunities to clients of other Group entities.

### Significant estimate: adjustments to provisional amounts previously reported

As part of the condensed interim consolidated financial statements for the half year ended 31 December 2016 the Group provided provisional acquired net assets. These provisional amounts were prepared with the Groups knowledge at that time. As at 30 June 2017, the following provisional amounts have been adjusted following further review:

#### Cash and cash equivalents

A decrease of cash and cash equivalents acquired has been recorded in the amount of \$13k due to conversion rate at acquisition date.

#### Deferred revenue

Previously reported deferred revenue has been reduced by \$43k.

#### Employee provisions

Previously reported provisional liabilities have now been increased by \$38k based on audited interim financial statements.

#### Intangibles – software and customer contracts

During the six months ending 30 June 2017 the previous assumptions used in the multi-period excess earning method model were adjusted which altered the provisional value included in the condensed interim consolidated financial statements for the half year ended 31 December 2016.

These adjustments included adjustments to the post-tax discount rate and the input of a business churn rate. The change of these assumptions has materially affected the value of the intangible software.

#### Deferred tax liabilities

Due to a change in the tax treatment of intangible assets created on acquisition from “recovered through sale” to “recovered through use” goodwill has been recalculated on number of acquisitions with the associated increase being offset by an increase in the deferred tax liabilities of the Group

### Significant estimate: Contingent consideration

On acquisition date, the fair value of the contingent consideration of \$1,778k was calculated using the ‘income approach’, based on the acquiree’s earnings expectations.

Since the preparation of the of the consolidated interim financial statements for the period ending 31 December 2017 a number of provisional amounts that were waiting agreement have been confirmed.

Agreement on the net tangible assets at the date of acquisition was settled on 3 April 2017. This resulted in the provision amount of kr(510)k being amended to kr(549)k. This amount will be deducted from the deferred payment due on the anniversary of completion.

### Acquired receivables

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

### Revenue and profit contribution

Revenue of GolfBox included in the Group revenue since the acquisition date 14 November 2016 amounted to \$2,116k. The original currency of Danish krone has been converted to the presentation currency of the Group at 30 June 2017 as per the Groups accounting policy detailed in **Note 24**. Profits of GolfBox included in the Group profit/(loss) since the acquisition date amounted to \$690k prior to amortization and \$103k after including amortisation expenses of \$586k of the acquired Contracts and Customer Relationships and Software.

### ii. Purchase consideration – cash outflow

PAYMENT DESCRIPTION	DATE PAID	AMOUNT KR'000	AMOUNT \$'000
Cash and cash equivalents acquired	11/14/2016	2,281	442
Completion payment	11/14/2016	(28,050)	(5,431)
<b>Total cash outflow</b>		<b>(25,769)</b>	<b>(4,989)</b>

Acquisition-related costs are included in ‘transaction costs’ in profit or loss and discussed in further detail in **Note 3(e)**.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C) ACQUISITION OF PALLISTER GAMES

### i. Summary of acquisition

On 30 May 2017 MSL Solutions Limited acquired the intellectual property and the customer support contracted revenue for "Pallister Games" from Ray Pallister Pty Ltd. Pallister Games is a random prize generating product that the Group is integrating into its suite of products offered to customers.

MSL will benefit from this acquisition by:

- › Extending sales of the products outside NSW through MSL's existing customer base; and
- › Cross-selling opportunities for MSL products into Pallister Games clients by packaging the products with other existing MSL member engagement products.

The purchase of Pallister Games has been classified as a business combination since along with the intellectual property and contracts MSL Solutions Limited adopted the processes and procedures previously developed for Pallister Games by Ray Pallister's Pty Ltd.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The consideration paid to acquire Ray Pallister Pty Ltd includes \$2,750k excluding GST in cash or shares made up of the following:

- › \$1,600k cash paid upon completion 30 May 2017;
- › \$900k holdback EBITDA payment to be paid on financial year performance for financial year 2018, 2019 and 2020. This amount can be settled in either cash payment or the issue of shares based on the 10-day average share price.
- › \$250k holdback EBITDA bonus payment to be paid on any over achievement of EBITDA in financial years 2018, 2019 and 2020. This amount can be settled in either cash payment or the issue of shares based on the 10-day average share price.

The assets and liabilities recognised as a result of the acquisition are as follows:

SUMMARY OF ACQUIRED NET ASSETS - PROVISIONAL AMOUNTS	\$'000
Deferred revenue	(61)
Intangible - Customer contracts and relationships	1,014
Intangible - software	611
Deferred tax liability	(304)
<b>Fair value of net assets acquired</b>	<b>1,260</b>
<b>Purchase consideration</b>	
Cash paid	1,600
Contingent consideration	1,150
	<b>2,750</b>
<b>Goodwill</b>	<b>1,490</b>

The goodwill is attributable to the expected continued growth of the customer base throughout Australia and with cross selling opportunities to clients of other Group entities.

### Significant estimate: Contingent consideration

On acquisition date, the fair value of the contingent consideration of \$1,150k was calculated using the 'income approach' as detailed above.

## Revenue and profit contribution

Revenue of Pallister Games included in the Group revenue since the acquisition date 30 May 2017 amounted to \$27k. Losses of Pallister Games included in the Group profit since the acquisition date amounted to \$27k prior to amortization and \$5k after amortization expense of \$22k of the acquired Software and Customer Relationships.

## ii. Purchase consideration – cash outflow

PAYMENT DESCRIPTION	DATE PAID	\$'000
Completion payment	30/5/2017	(1,600)

## C) CONTINGENT CONSIDERATION

The below table illustrates the contingent consideration movement for the financial years ending 30 June 2016 and 30 June 2017:

	MARKETOWN \$'000	INFOGENESIS \$'000	ROCKIT \$'000	VERTEDA \$'000	GOLFBX \$'000	PALLISTER GAMES \$'000	TOTAL \$'000
<b>Balance 1 July 2015</b>	<b>(960)</b>	-	-	-	-	-	<b>(960)</b>
<i>Add:</i>							
Current contingent consideration	-	(500)	(925)	-	-	-	(1,425)
Non-current contingent consideration	-	-	-	-	-	-	-
<i>Less:</i>							
Contingent consideration paid	-	-	-	-	-	-	-
Gains/(losses) accounting profit or (loss)	372	-	-	-	-	-	372
<b>Balance 30 June 2016</b>	<b>(588)</b>	<b>(500)</b>	<b>(925)</b>	-	-	-	<b>(2,013)</b>
<i>Add:</i>							
Current contingent consideration	-	-	(6)	(3,251)	-	-	(3,257)
Non-current contingent consideration	-	-	-	-	(1,896)	(1,150)	(3,046)
Fair value adjustment	-	-	(89)	-	-	-	(89)
Foreign exchange through profit and loss	-	-	-	(169)	-	-	(169)
<i>Less:</i>							
Contingent consideration paid	-	500	432	1,203	-	-	2,135
Accelerated earnout	-	-	530	-	-	-	530
Gains/(losses) accounting profit or (loss)	588	-	52	48	-	-	687
<b>Balance 30 June 2017</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>(2,169)</b>	<b>(1,896)</b>	<b>(1,150)</b>	<b>(5,222)</b>

## Marketown Media Pty Ltd

During the year \$588k of the earnout provision for Marketown Media was released as performance targets for the 2017 financial year are not expected to be met. This amount is included in Other income in the Consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## InfoGenesis Pty Ltd

During the year \$500k of the earnout provision for InfoGenesis was paid as performance targets for the 2016 financial year were met.

## Rockit Pty Ltd

As part of the Group listing on the ASX, MSL Solutions Limited took advantage of a clause in the Share Sale Agreement for Rockit Pty Ltd that allowed for the acceleration of the earnout payments. The Group has entered into a deed of variation with the vendors which has amended the earnout liability from being a mixture of shares and cash to a simple cash payment for earnout targets in calendar years 2017 and 2018. The effect on the income statement resulting from this agreement was a fair value expense of \$89k.

## Verteda Holdings Limited

As discussed in *Note 3a(i)* part of the consideration for the acquisition of Verteda Holdings Limited is based on performance targets. At 30 June 2017, the 2017 EBITDA stretch target had not be met and the contingent consideration of \$48k relating to this target was released. This amount is included in Other income in the Consolidated statement of profit or loss.

## GolfBox A/S

As discussed in *Note 3b(i)* part of the consideration for the acquisition of GolfBox A/S is based on performance targets. As at the date of these accounts no information about the performance against the contingent target had been agreed upon.

## D) TRANSACTION COSTS

During the financial year ended 30 June 2017 the Company incurred \$991k (FY16 \$418k) of transaction costs that related to the acquisition of Verteda Holdings Limited and GolfBox AS. This included additional staff travel and salary costs as well as legal and accounting fees to perform the required due diligence and affect the completion of the acquisitions.

## E) ADJUSTMENTS TO ROCKIT PTY LTD AND INFOGENESIS PTY LTD

The financial statements for the year ending 30 June 2016 included provisional amounts for the acquisition of Rockit Pty Ltd and InfoGenesis Pty Ltd.

Upon further review of these acquisitions the following provisional amounts have been adjusted:

COMBINATION	AREA OF ACQUISITION ADJUSTED	PROVISIONAL AMOUNT \$'000	ADJUSTMENT \$'000	AMOUNT INCLUDED IN FINANCIAL STATEMENTS FOR YEAR ENDING 30 JUNE 2017 \$'000
Rockit Pty Ltd	Deferred revenue	(127)	(46)	(173)
Rockit Pty Ltd	Intercompany loan	373	27	400
Rockit Pty Ltd	Assets created upon acquisition	1,621	19	1,640
Rockit Pty Ltd	Deferred tax liability	-	(172)	(172)
Rockit Pty Ltd	Goodwill	-	494	494
InfoGenesis Pty Ltd	Gain on acquisition	693	(693)	-
InfoGenesis Pty Ltd	Deferred tax liability	-	(885)	(885)
InfoGenesis Pty Ltd	Goodwill	-	329	329

Due to a change in the accounting policy relating to determining the expected manner of recovery of acquired intangible assets from recovery through sale to recovery through use, goodwill has been recalculated on number of acquisitions with the associated increase being offset by an increase in the deferred tax liabilities of the Group.

## 4. REVENUE

The Company derives the following types of revenue:

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<b>Recurring revenue</b>		
Customer contracts annuities	11,125	4,813
Subscription annuities	1,039	881
<b>Total – recurring revenue</b>	<b>12,164</b>	<b>5,694</b>
<b>Non-recurring revenue</b>		
Booking fees	250	353
System installations	2,693	808
Software fees and royalties	2,325	802
Hardware fees	3,964	1,702
Advertising	1,994	1,688
Other	275	242
	<b>11,501</b>	<b>5,595</b>
<b>Revenue from operating activities</b>	<b>23,665</b>	<b>11,289</b>
Other income		
Gain on sale of an asset	14	5
Gain on reversal of earnout provisions	687	372
Settlement of professional matters	3	49
Interest	3	-
	<b>707</b>	<b>426</b>

Revenues from external customers come from the sale of IT infrastructure and hardware as well as support of the same. This revenue is supplemented by commission on bookings on sites such as iSeekGolf and merchant sales on the Buying Club Website.

MSL Solutions Limited is domiciled in Australia and has overseas subsidiaries in United Kingdom and Denmark.

### OTHER INCOME

On 24 June 2017 MSL Solutions sold a parcel of 350,000 shares in Zuuse Pty Ltd at \$0.10 per share which resulted in a gain on the sale an asset of \$14k.

During the year \$588k of the earnout provision for Marketown Media Pty Ltd was recognised as a gain as performance targets for the 2017 were not met.

In addition, \$47k of the earnout provision for Verteda Holdings Limited was released as these stretch targets were not met.

As part of the Deed of Variation relating to the acquisition of Rockit Pty Ltd, a further \$52k of the contingent consideration was recognised as a gain due to the crystallisation of the accelerated earnout targets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## RECOGNISING REVENUE FROM MAJOR BUSINESS ACTIVITIES

Revenue is recognised for the major business activities using the methods outlined below.

### Customer contracts annuities – (deferred revenue)

**Timing of recognition:** The Group recognises the revenue from customer care and support contracts in the period that the support is provided. Customers are invoiced prior to the commencement of the support period with this invoiced amount deferred until support has been provided.

**Measurement of revenue:** Revenue is measured per supported license module. Various modules have differing support prices. The Group has a cancellation policy of 90 days.

### Subscription annuities – (deferred revenue)

**Timing of recognition:** The Group recognises the revenue from SaaS or subscription contracts in the period that the support is provided. Customers are invoiced prior to the commencement of the subscription period with this invoiced amount deferred until the service has been provided.

**Measurement of revenue:** Revenue is measured per subscription license module. Various modules have differing subscription prices.

### Booking fees

**Timing of recognition:** The Group accounts for booking revenue when funds have been received by the Group for rounds of golf booked through iSeek Golf product offering to clubs and associations.

**Measurement of revenue:** Booking revenue is based on commission charged to golf clubs for rounds booked and paid for on the iSeek Golf platform. Revenue is based on the booking made, net of the funds to be remitted to the golf clubs upon the completion of the round played.

### System installations/professional services – (deferred revenue)

**Timing of recognition:** Revenue from system installations is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as proportion of the total services to be provided (percentage of completion method).

**Measurement of revenue:** Estimates of revenues, cost or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in the estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

### Software fees and royalties

**Timing of recognition:** The Group sells a large range of software applications. Sales are recognised when the software applications are delivered to the customer. Delivery has occurred when the end user has received the software, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

**Measurement of revenue:** Revenue from sales is based on the price specified in the sales contracts, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns. All elements of finance are sourced from third parties as such no element of financing is deemed present as the sales are made.

### Hardware fees

**Timing of recognition:** The Group sells a large range of hardware applications. Sales are recognised when the hardware applications are delivered to the wholesale supplier of the products. Delivery has occurred when wholesaler has notified the Group that the products are on their premises and the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

**Measurement of revenue:** Revenue from sales is based on the price specified in the sales contracts, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns. All elements of finance are sourced from third parties as such no element of financing is deemed present as the sales are made.

### Advertising

**Timing of recognition:** The Group recognises revenue in accordance with contract milestones and/or advert impressions.

**Measurement of revenue:** Revenue is measured in line with the executed insertion orders and is based on market rates.

## 5. OTHER SIGNIFICANT INCOME AND EXPENSE ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount:

		CONSOLIDATED	
		30-JUN-17 \$'000	30-JUN-16 \$'000
Gain on reversal of earnout provisions	a	687	372
Transaction costs	b	(991)	(418)
Senior management IPO bonus	c	(3,342)	-
Finance costs	d	(812)	(157)
Fair value movement on financial liability at fair value through profit and loss	e	(4,339)	-
Unrealised FX losses	f	(324)	-
Restructuring costs		(36)	-
Share of loss of associates/joint ventures accounted for using the equity method		-	(118)
<b>Other gains and expenses</b>		<b>(4,699)</b>	<b>(118)</b>
		<b>(9,157)</b>	<b>(321)</b>

Aspects of each of the above items are discussed in further detail below.

### OTHER INCOME AND EXPENSE ITEMS

#### a) Gain on reversal of earnout provisions

During the year \$588k of the earnout provision for Marketown Media Pty Ltd was recognised as a gain as performance targets for the 2017 were not met.

In addition, \$47k of the earnout provision for Verteda Holdings Limited was released as these stretch targets were not met.

As part of the Deed of Variation relating to the acquisition of Rockit Pty Ltd, a further \$51k of the contingent consideration was recognised as a gain due to the crystallisation of the accelerated earnout targets.

#### b) Transaction costs

As per *Note 3* a significant amount of transaction costs relating to the acquisitions throughout the year were recorded in the profit and loss.

#### c) Senior management IPO bonus

Reflects the costs associated with a one-off senior management bonus on the completion of the IPO process. This is a one-off bonus and not related to a future incentive scheme and relates to the grant of shares which no service provisions operate or other restrictions apply. The amount represents the amount of cash and shares granted at the completion of the IPO (\$3,492k) less the share based payment reserve release for previous options granted \$150k.

#### d) Finance costs

		CONSOLIDATED	
FINANCE COSTS		30-JUN-17 \$'000	30-JUN-16 \$'000
Brokerage fee on the converting note debt raise		(793)	-
Realised FX losses		(33)	(4)
Interest income / (expense)		14	(153)
		<b>(812)</b>	<b>(157)</b>

Incurred during the year was a one-off payment of \$793k to Baillieu Holst for commission on the raising of the Converting Notes.

In addition to this the Group has incurred realised foreign exchange losses of \$33k on payments made to overseas vendors in relation to financing of the company's working capital.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### e) Fair value movement on financial liability at fair value through profit and loss

As noted above the Group issued 3,400 Converting Notes (raising \$17m at \$5k per note) during the 6-month period ended 31 December 2016. The Notes would convert upon the event of an IPO with the conversion price being a 20% discount to the issue price of the shares.

On 4 May 2017 MSL Solutions Limited successfully completed listing on the ASX at the initial listing price of \$0.25. This listing resulted in a fair value expense of \$4,250k being recorded for the revaluation of the fair value of the shares issued for the Converting Notes.

As part of the Group listing on the ASX, MSL Solutions Limited took advantage of a clause in the Share Sale Agreement for Rockit Pty Ltd that allowed for the acceleration of the earnout payments. The Group has entered into a deed of variation with the vendors which has amended the earnout liability from being a mixture of shares and cash to a simple cash payment for earnout targets in calendar years 2017 and 2018. The effect on the income statement resulting from this agreement was a fair value expense of \$89k.

### f) Unrealised FX losses

As part of the consideration for the acquisitions of Verteda and GolfBox, there were a number of deferred target payments recorded as part of the provisions – see *Note 8e* for more details on these provisions. As these provisions are payable in the acquiree's domicile currency being either Pound Sterling or Danish Krone, the Group applies its policy in relation to foreign exchange currencies and revalues these provisions at the end of each reporting period with any gain or loss recorded against the unrealised foreign exchange account until such times as the amount is crystallised and this amount is transferred to the realised foreign exchange line of the profit or loss statement. Due to the size of the deferred and earnout payments this movement is a material item on the profit or loss statement.

## 6. INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

### A) INCOME TAX EXPENSE

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<b>Income tax expense/(benefit)</b>		
Current tax (benefit) expense	256	318
Deferred tax (benefit) expense	(1,513)	(728)
Adjustments for current tax expense of prior period	-	(56)
Adjustments for deferred tax expense of prior period	194	-
<b>Total income tax expense/(benefit)</b>	<b>(1,063)</b>	<b>(466)</b>
<i>Income tax expense is attributable to:</i>		
Profit from continuing operations	<b>(1,063)</b>	<b>(466)</b>
<i>Deferred tax (benefit) expense included in income tax expense comprises:</i>		
Decrease (increase) in deferred tax assets (Note 8c)	(292)	(143)
(Decrease) increase in deferred tax liabilities (Note 8c)	(1,027)	(585)
<b>Total deferred tax expense/(benefit)</b>	<b>(1,319)</b>	<b>(728)</b>

## B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
Profit/(loss) from continuing operations before income tax expense	(11,826)	(1,828)
Tax at the Australian tax rate of 30% (2016 - 30%)	(3,548)	(548)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
- Fair value movement on financial liability at fair value through profit and loss	1,302	-
- Share based payments	756	25
- Transaction costs	338	33
- Gain on reversal of earnout provision	(206)	(112)
- R&D tax incentive	(67)	(195)
- Accounting expenditure subject to refundable R&D tax concession	-	361
- Other	(90)	26
	<b>(1,515)</b>	<b>(410)</b>
- Adjustments for income tax expense of prior period	194	(56)
- Derecognition of previously recognised tax losses	288	-
- Difference in tax rate of foreign jurisdictions	(30)	-
<b>Total income tax expense/(benefit)</b>	<b>(1,063)</b>	<b>(466)</b>
<b>Amounts recognised in equity</b>		
<i>Aggregate current and deferred tax expense/(benefit) arising in the reporting period and not recognised in net profit or loss but directly recognised in equity:</i>		
- Equity raising costs	(521)	-

The Group has de-recognised \$288k of carry forward tax losses for the year ending 30 June 2017. While the Group may still be able to utilise these losses in the future it is deemed unlikely due the age of the losses and the significant changes in ownership and business since the losses were incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## i. Recognition and measurement

MSL Solutions Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax benefit is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Company's subsidiaries operated and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognised only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses. As such the Group has de-recognised \$288k of carry forward tax losses for the year ending 30 June 2017. While the Group may still be able to utilise these losses in the future it is deemed unlikely due the age of the losses and the significant changes in ownership and business since the losses were incurred.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg. The Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowances reduce income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

## ii. Estimates and judgements

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group recognises deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped.

Companies with the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. At each reporting period, the Group accounts for such allowances as tax credits. The benefit in excess of the Australian Corporate tax rate of 30% has been recognised as a reduction to research and development expenses. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

## 7. FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's financial instruments, including:

- › An overview of all financial instruments held by the Group
- › Specific information about each type of financial instrument
- › Accounting policies
- › Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved

The Group holds the following financial instruments:

FINANCIAL ASSETS	NOTES	ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS \$'000	FINANCIALS ASSETS AT AMORTISED COST \$'000	TOTAL \$'000
<b>2017</b>				
Trade and other receivables	7a	-	7,224	<b>7,224</b>
Cash and cash equivalents	7b	-	11,897	<b>11,897</b>

<b>2016</b>				
Trade and other receivables	7a	-	3,941	<b>3,941</b>
Cash and cash equivalents	7b	-	2,749	<b>2,749</b>

FINANCIAL LIABILITIES	NOTES	ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS \$'000	FINANCIALS ASSETS AT AMORTISED COST \$'000	TOTAL \$'000
<b>2017</b>				
Trade and other payables	7c	-	6,653	<b>6,653</b>
Borrowings	7d	-	225	<b>225</b>
Contingent Consideration - Earnout provision	8e	5,222	-	<b>5,222</b>

<b>2016</b>				
Trade and other payables	7c	-	4,580	<b>4,580</b>
Borrowings	7d	-	309	<b>309</b>
Contingent Consideration - Earnout provision	8e	2,013	-	<b>2,013</b>

The Group's exposure to various risks associated with the financial instruments is discussed in *Note 12*. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## A) TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<b>Current</b>		
Trade receivables	5,436	2,339
Allowance for doubtful debts	(114)	(52)
Amounts due from customers for contract work	1,014	766
	<b>6,336</b>	<b>3,053</b>
<b>Non-Current</b>		
Trade receivables	40	40
Loan receivable – related party	848	848
	<b>888</b>	<b>888</b>

Further information relating to loans to related parties and key management personnel is set out in *Note 18*.

### i. Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade receivables are outlined in *Note 24*.

### ii. Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

### iii. Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

### iv. Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in *Note 12b* and *12c*.

## B) CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
Deposits on call	8,037	-
Cash at bank	3,860	2,749
	<b>11,897</b>	<b>2,749</b>

### i. Reconciliation to cash flow statement

The figures in the table shown below reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
Cash and cash equivalents	11,897	2,749
Overdrafts	(156)	(115)
	<b>11,741</b>	<b>2,634</b>

### ii. Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a held to maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See *Note 24* for the Group's other accounting policies on cash and cash equivalents.

## C) TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<b>Current</b>		
Trade payables	1,966	779
Other payables	2,351	3,488
Deferred consideration on business combinations	1,348	150
	<b>5,665</b>	<b>4,417</b>
<b>Non-Current</b>		
Deferred consideration on business combinations	988	163
	<b>988</b>	<b>163</b>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to the short-term nature.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D) BORROWINGS

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<b>Current</b>		
<i>Unsecured</i>		
Loan related party - unsecured	-	174
	-	<b>174</b>
<i>Secured</i>		
Bank overdraft - secured	157	115
Lease liabilities - secured	68	20
<b>Total secured current borrowings</b>	<b>225</b>	<b>135</b>
<b>Total current borrowings</b>	<b>225</b>	<b>309</b>

### i. Finance leases

The Group leases various plant and equipment with a carrying value of \$70k (2016 - \$20k) under finance leases expiring within three to five years.

FINANCE LEASE - NON-CANCELLABLE	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<i>Payable:</i>		
Within one year	29	20
Later than one year but not later than 5 years	49	-
Total future minimum lease payments	78	20
Total future finance charges	(9)	-
Lease liabilities	<b>69</b>	<b>20</b>
<i>Lease liabilities are represented in the financial statements as follows:</i>		
Current	20	20
Non-current	49	-
	<b>69</b>	<b>20</b>

### ii. Fair value

For all borrowings, the fair value is not materially different to their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

### iii. Risk exposures

Details of the Groups exposure to risks arising for current and non-current borrowings are set out in *Note 12*.

## E) RECOGNISED FAIR VALUE MEASUREMENTS

### i. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	30-JUN-17			TOTAL \$'000
	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	
<b>Financial liabilities</b>				
Contingent consideration - Earnout provision	-	-	(5,222)	(5,222)
<b>Total Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(5,222)</b>	<b>(5,222)</b>

	30-JUN-16			TOTAL \$'000
	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	
<b>Financial liabilities</b>				
Contingent consideration - Earnout provision	-	-	(2,013)	(2,013)
<b>Total Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(2,013)</b>	<b>(2,013)</b>

There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1** – The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2** – The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3** – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### ii. Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- › The fair value of remaining financial liabilities is determined using discounted cash flow analysis.

All fair value estimates are included in level 3 as they are contingent consideration payable where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

### iii. Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer and the Audit and Risk Committee (ARC). Discussions of valuation processes and results are held between the CFO and the ARC at least once every six months, in line with the Groups half-yearly reporting period.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- › Contingent consideration – expected cash inflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half yearly valuation discussion between the CFO and ARC. As part of this discussion the team presents a report that explains the reason for the fair value movements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities, including:

- › Specific information about each type of non-financial asset and non-financial liability
  - Property, plant and equipment (*see Note 8(a)*)
  - Intangible assets (*see Note 8(b)*)
  - Deferred tax balances (*see Note 8(c)*)
  - Employee benefit obligations (*Note 8(d)*)
  - Provisions (*Note 8(e)*)
  - Asset held for sale (*Note 8(f)*)
- › Accounting policies
- › Information determining the fair value of the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

### A) PROPERTY, PLANT AND EQUIPMENT

NON-CURRENT	LEASEHOLD IMPROVEMENTS \$'000	PLANT AND EQUIPMENT \$'000	FURNITURE FIXTURES & FITTINGS \$'000	MOTOR VEHICLE \$'000	TOTAL \$'000
<b>At 1 July 2015 - restated</b>					
Cost or fair value	5	693	84	-	782
Accumulated depreciation	(5)	(513)	(73)	-	(591)
Net book amount	-	180	11	-	191
<b>Year ending 30 June 2016</b>					
Opening net book amount	-	180	11	-	191
Additions	8	62	52	5	127
Depreciation charge		(73)	(7)	-	(81)
<b>Closing net book amount</b>	<b>7</b>	<b>169</b>	<b>56</b>	<b>5</b>	<b>237</b>
<b>As at 1 July 2016</b>					
Cost or fair value	13	913	202	24	1,152
Accumulated depreciation	(6)	(744)	(146)	(19)	(915)
Net book amount	7	169	56	5	237
<b>Year ending 30 June 2017</b>					
Opening net book amount	7	169	56	5	237
Exchange differences	-	33	7	-	40
Additions	-	133	63	-	197
Depreciation charge		(143)	(22)		(167)
<b>Closing net book amount</b>	<b>6</b>	<b>192</b>	<b>104</b>	<b>4</b>	<b>306</b>
<b>At 30 June 2017</b>					
Cost or fair value	14	1,079	272	24	1,387
Accumulated depreciation	(7)	(887)	(168)	(20)	(1,081)
Net book amount	7	192	104	4	306

**i. Leased assets.**

Furniture, fittings and equipment includes the following amounts where the Group is a lessee is under a finance lease (refer to *Note 7e(i)* for further details):

LEASED ASSETS	PURCHASE PRICE \$'000	DEPRECIATION \$'000	BOOK VALUE \$'000
Laptops & peripherals	28	(1)	27
Laptops & peripherals	51	(13)	38
	<b>79</b>	<b>(14)</b>	<b>65</b>

**ii. Revaluation, depreciation methods and useful lives.**

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.

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.

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.

See *Note 24* for the other accounting policies relevant to property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B) INTANGIBLE ASSETS

NON-CURRENT	GOODWILL \$'000	COMPUTER SOFTWARE, OTHER \$'000	FORMATION EXPENSES \$'000	CONTRACTS AND CUSTOMER RELATIONSHIPS \$'000	TOTAL \$'000
<b>At 1 July 2015 - restated</b>					
Cost or fair value	3,127	2,831	2	5,044	11,004
Accumulated amortisation	-	(1,294)	-	(559)	(1,852)
Net book amount	3,127	1,537	2	4,485	9,152
<b>Year ending 30 June 2016</b>					
Opening net book amount	3,127	1,537	2	4,485	9,152
Additions	1,193	2,418	-	4,985	8,595
Amortisation charge	-	(897)	-	(1,001)	(1,898)
<b>Closing net book amount</b>	<b>4,320</b>	<b>3,058</b>	<b>2</b>	<b>8,469</b>	<b>15,849</b>
<b>As at 1 July 2016</b>					
Cost or fair value	4,320	5,249	2	10,029	19,600
Accumulated amortisation	-	(2,191)	-	(1,560)	(3,751)
Net book amount	4,320	3,058	2	8,469	15,849
<b>Year ending 30 June 2017</b>					
Opening net book amount	4,320	3,058	2	8,469	15,849
Exchange differences	-	(3)	-	-	(3)
Additions	13,796	4,151	-	11,715	29,662
Amortisation charge	-	(1,669)	-	(2,453)	(4,122)
<b>Closing net book amount</b>	<b>18,116</b>	<b>5,537</b>	<b>2</b>	<b>17,731</b>	<b>41,386</b>
<b>At 30 June 2017</b>					
Cost or fair value	18,116	9,397	2	21,744	49,259
Accumulated amortisation	-	(3,860)	-	(4,013)	(7,874)
Net book amount	18,116	5,537	2	17,731	41,386

Comparatives have been restated to align with current year presentation.

### i. Amortisation methods and useful lives.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following period/rates:

- › Software - 12.5% to 40%
- › Customer contracts - 3 to 11 years

See *Note 24* for the other accounting policies relevant to intangible assets, and *Note 24* for the Group's policy regarding impairments.

### ii. Customer contracts

The customer contracts were acquired as part of a business combination (see *Note 3* for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

### iii. Significant estimate: useful life of Software acquired

Software was acquired as part of a business combination (see *Note 14* for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over a 96-month period from date of acquisition. This has been estimated as the weighted average of the expected obsolescence of the acquired software.

### iv. Significant estimate: adjustment to Goodwill due to change in tax base

Due to a change in the accounting policy relating to determining the expected manner of recovery of acquired intangible assets from recovery through sale to recovery through use, goodwill has been recalculated on number of acquisitions with the associated increase being offset by an increase in the deferred tax liabilities of the Group.

### v. Impairment tests for goodwill

Goodwill is monitored by management at the segment level of the Group.

A segment-level summary of the goodwill allocation is presented below:

SEGMENT	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
Mpower Golf	6,019	2,026
Mpower Venue	10,234	1,921
Mpower Media	1,863	373
<b>Total</b>	<b>18,116</b>	<b>4,320</b>

### vi. Significant estimate: key assumptions used for value-in-use calculations

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.

The recoverable amount of a subsidiary is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

	2017 RANGE		2016 RANGE	
Revenue (% annual growth rate)	2.50%	3.80%	2.50%	3.80%
EBITDA (%)	2.50%	3.80%	2.50%	3.80%
Annual capital expenditure	In line with subsidiary Depreciation			
Long term growth rate (%)	1.50%	2.50%	2.50%	2.50%
Post-tax discount rate	13.00%	13.20%	13.00%	13.20%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table sets out the key assumptions for those segments that have significant goodwill allocated to them: Management has determined the values assigned to each of the above key assumptions as follows:

ASSUMPTION	APPROACH USED TO DETERMINE VALUES
Revenue	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
EBITDA	Based on past performance and management's expectations for the future.
Annual capital expenditure	Expected cash costs in the CGU's. This is based on the historical experience of management. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long-term growth rate	This is in line with inflation.
Post-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

Management does not consider that a reasonably possible change in any of the key assumptions (growth rates and discount rates), after allowing for any consequential impacts on other key assumptions of any such change, would cause the carrying value of the segments to exceed their recoverable amounts.

### C) DEFERRED TAX BALANCES

#### i. Deferred tax assets

	NOTES	2017 \$'000	2016 \$'000
<i>The balance comprise temporary differences attributable to:</i>			
Tax losses & offsets		844	473
Employee benefits		325	250
Property, plant & equipment		-	22
IPO and transaction related expenditure		604	11
Other		114	148
<b>Total deferred tax asset</b>		<b>1,887</b>	<b>904</b>
<b>Set-off against deferred tax liability (Note 8c(ii))</b>		<b>(1,887)</b>	<b>(904)</b>
<b>Set-off from deferred tax liability (Note 8c(ii))</b>		<b>-</b>	<b>-</b>
<b>Net deferred tax asset</b>		<b>-</b>	<b>-</b>

MOVEMENTS	TAX LOSSES & OFFSETS \$'000	EMPLOYEE BENEFITS \$'000	PROPERTY, PLANT & EQUIPMENT \$'000	IPO AND TRANSACTION RELATED EXPENDITURE \$'000	OTHER \$'000	TOTAL \$'000
At 1 July 2015	850	135	-	16	62	1,064
(Charged)/Credited						
To profit or loss	-	46	22	(6)	80	143
To equity	-	-	-	-	-	-
Acquisition	-	69	-	-	6	75
Utilisation of tax losses	(378)	-	-	-	-	(378)
True Up of prior period deferred tax	-	-	-	-	-	-
<b>As at 30 June 2016</b>	<b>473</b>	<b>250</b>	<b>22</b>	<b>11</b>	<b>148</b>	<b>904</b>

MOVEMENTS	TAX LOSSES & OFFSETS \$'000	EMPLOYEE BENEFITS \$'000	PROPERTY, PLANT & EQUIPMENT \$'000	IPO AND TRANSACTION RELATED EXPENDITURE \$'000	OTHER \$'000	TOTAL \$'000
At 1 July 2016	473	250	22	11	148	904
(Charged)/Credited						
To profit or loss as deferred tax benefit/(expense)	386	75	(22)	72	(24)	487
To profit or loss as research and development expenses	170	-	-	-	-	170
To equity	-	-	-	521	-	521
Acquisition	-	-	-	-	-	-
Utilisation of tax losses	-	-	-	-	-	-
True Up of prior period deferred tax	(185)	-	-	-	(10)	(195)
<b>As at 30 June 2017</b>	<b>844</b>	<b>325</b>	<b>-</b>	<b>604</b>	<b>114</b>	<b>1,887</b>

## ii. Deferred tax liabilities

	NOTES	2017 \$'000	2016 \$'000
The balance comprise temporary differences attributable to:			
Intangible assets		(4,657)	(2,772)
Financial Assets		(663)	(670)
Property, plant & equipment		(86)	-
Other		(3)	-
<b>Total deferred tax liabilities</b>		<b>(5,409)</b>	<b>(3,443)</b>
<b>Set-off against deferred tax asset (Note 8c(i))</b>		<b>-</b>	<b>-</b>
<b>Set-off from deferred tax asset (Note 8c(i))</b>		<b>1,887</b>	<b>904</b>
<b>Net deferred tax liabilities</b>		<b>(3,522)</b>	<b>(2,539)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENTS	INTANGIBLES \$'000	FINANCIAL ASSETS \$'000	PROPERTY, PLANT & EQUIPMENT \$'000	OTHER \$'000	TOTAL \$'000
At 1 July 2015	(1,597)	(906)			(2,505)
(Charged)/Credited					
To profit or loss	342	236	8	-	586
To equity	-	-	-	-	-
True Up of prior period deferred tax	-	-	-	-	-
Acquisition	(1,517)	-	(6)	-	(1,523)
<b>As at 30 June 2016</b>	<b>(2,772)</b>	<b>(670)</b>	<b>-</b>	<b>-</b>	<b>(3,443)</b>

MOVEMENTS	INTANGIBLES \$'000	FINANCIAL ASSETS \$'000	PROPERTY, PLANT & EQUIPMENT \$'000	OTHER \$'000	TOTAL \$'000
At 1 July 2016	(2,772)	(670)	-		(3,443)
(Charged)/Credited					
To profit or loss	1,097	6	(75)	(2)	1,026
To equity	-	-	-	-	-
True Up of prior period deferred tax	-	-	1	-	1
Acquisition	(2,981)	-	(13)	-	(2,994)
<b>As at 30 June 2017</b>	<b>(4,657)</b>	<b>(663)</b>	<b>(86)</b>	<b>(3)</b>	<b>(5,409)</b>

### Offsetting within tax consolidated group

MSL Solutions Limited and its wholly-owned Australian subsidiaries have been applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities have been offset in the consolidated financial statements.

### D) EMPLOYEE BENEFIT OBLIGATIONS

#### Employee benefit obligations

2017	CURRENT \$'000	NON- CURRENT \$'000	TOTAL \$'000
Annual leave obligations	1,053	-	<b>1,053</b>
Long-service leave	172	249	<b>421</b>

2016	CURRENT \$'000	NON- CURRENT \$'000	TOTAL \$'000
Annual leave obligations	498	-	<b>498</b>
Long-service leave	131	228	<b>359</b>

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

Employee benefit obligations are disclosed on the statement of financial position through inclusion of the annual leave obligation within the trade and other payables liability (*Note 7c*) and the long service leave obligation is included within the provisions liability (*Note 8e*).

### Other 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.

### E) PROVISIONS

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
<b>Current</b>		
Long service leave	172	131
Annual leave	1,053	498
Contingent consideration – Earnout provision	4,072	1,380
	<b>5,296</b>	<b>2,009</b>
<b>Non-Current</b>		
Long service leave	249	228
Contingent consideration – Earnout provision	1,150	633
	<b>1,398</b>	<b>861</b>

#### i. Information about individual provisions and significant estimates

##### Provision for contingent consideration

As part of the acquisition of Rokit Pty Ltd, Marketown Media Pty Ltd, GolfBox A/S and Verteda Holdings Limited, several provisions for contingent consideration based on earnout targets are accounted for by the Group. Further information and performance conditions regarding the earnout provision can be found in **Note 3** – Business Combinations.

During the year \$588k of the earnout provision for Marketown Media was released as performance targets for the 2017 financial year are not expected to be met. In addition to this the earnout provision for Verteda Holdings Limited was released as stretch performance targets for the financial year ending 31 March 2017 were not met. These amounts are included in Other Income in the Consolidated Statement of Profit or Loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## ii. Movements in contingent consideration – earnout provisions

Movement in each class of provision during the financial year, other than employee benefits are out below:

	2017 \$'000	2016 \$'000
Opening balance	2,013	960
Fair value adjustment	88	-
Gain on reversal of contingent consideration	(687)	(372)
InfoGenesis acquisition	(500)	500
Rockit acquisition	(956)	925
Verteda acquisition	2,049	-
Golfbox acquisition	1,896	-
Pallisters Games	1,150	-
FX Movement	169	-
<b>Closing balance</b>	<b>5,222</b>	<b>2,013</b>
Current	4,072	1,380
Non-current	1,150	633
	<b>5,222</b>	<b>2,013</b>

Further information on the movements can be found in *Note 3*.

## F) ASSETS HELD FOR SALE

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
Equity securities in Zuuse Pty Ltd	2,212	2,258

At 30 June 2017, MSL Solutions Limited owns 29.95% of the issued capital of Zuuse Pty Ltd. At reporting date, the asset continues to remain as held for sale, based on the following information:

- › MSL does not have direct or indirect control over Zuuse Pty Ltd;
- › The Board having determined that Zuuse was a “non-core” investment has commenced a sell down program; and
- › MSL have put in place a marketing program to sell down the remaining shares over a staged timeframe to maximise the return.

The investment is carried at fair value less cost to sell of \$2,212k (2016 – \$2,258k).

### i. Amounts recognised in profit or loss and other comprehensive income

During June 2017, a parcel of 350,000 shares were sold at \$0.10 per share. This resulted in a profit of \$14k being recognised in other income in the Consolidated statement of profit or loss and comprehensive income.

### ii. Subsequent events

The assets held for sale are currently being held at \$0.06 per share. Recent trades in the month of July 2017 have been conducted at \$0.155 on a valuation of Zuuse Pty Ltd of circa \$21 million.

Zuuse Pty Ltd have undertaken a further capital raising for \$1.5 million at 15.5c which has been successfully completed as at the date of this report.

Zuuse Pty Ltd are in a process to merge with Progressclaim. The public documents indicate the notional value of Zuuse should increase. The merger is proposed for completion by 14 September 2017.

## 9. EQUITY

### A) SHARE CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	JUN-17 SHARES	JUN-17 \$'000	JUN-16 SHARES	JUN-16 \$'000
<b>Share capital</b>				
Fully paid	249,248,965	61,085	122,793,561	21,629
	249,248,965	61,085	122,793,561	21,629

#### i. Movements in ordinary shares

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	\$'000
<b>1 July 2015</b>	<b>Opening Balance</b>	<b>80,272,829</b>		<b>15,294</b>
4 January 2016	Shares issued as part of acquisition of InfoGenesis	3,225,807	0.155	500
1 April 2016	Shares issued as part of acquisition of Rockit	1,612,903	0.155	250
1 March to 30 June 2016	Shares issued via capital raising Less: transaction costs arising on shares issued	37,682,022	0.155	5,841 (257)
<b>30 June 2016</b>	<b>Opening Balance</b>	<b>122,793,561</b>		<b>21,629</b>
24 July 2016	Shares issued via capital raising	967,742	0.155	150
27 October 2016	Shares issued to owners of Verteda	3,747,728	0.22	825
14 November 2016	Shares issued as part of acquisition of Golfbox	2,272,727	0.22	500
17 March 2017	Shares issued as part of contingent consideration of Rockit	1,367,236	0.22	301
21 March 2017	Share consolidation (1.4 for 1)	(37,471,142)		
4 May 2017	Converting Note allocation	85,000,000	0.25	21,250
4 May 2017	IPO Bonus allocation	10,571,113	0.25	2,643
4 May 2017	Shares issued on IPO Less: transaction costs arising on shares issued Deferred tax recognised directly in equity	60,000,000	0.25	15,000 (1,734) 521
<b>30 June 2017</b>	<b>Closing Balance</b>	<b>249,248,965</b>		<b>61,085</b>

The purpose of the rights issue in which the converting notes and the IPO funds were raised was to fund the acquisitions of GolfBox A/S and Verteda Holdings Limited as well as to provide the Group with funds for future acquisitions and general working capital purposes.

#### ii. Ordinary shares

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.

#### iii. Options

Information relating to the MSL Solutions Limited Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in *Note 19*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## iv. Consolidation

In preparation of the IPO, a consolidation regime for issued securities was completed 21 March 2017. As part of this consolidation, all shares and options were consolidated at a ratio of 1.4 to 1.

This consolidation resulted in a reduction to the issued capital at this date in the amount of 37,471,140 shares, but did not result in a change to the accounting value of issued capital.

## v. Rights issue

As part of the listing of the Group on the Australian Stock Exchange on 4 May 2017, MSL Solutions Limited invited prospective shareholders to subscribe to a rights issue of 65,000,000 ordinary shares at an issue price of \$0.25 per share, with such shares to be issued on 4 May 2017. The issue was fully subscribed.

In addition to the above rights being offered the Converting Notes previously issued in the financial year also converted to 80,000,000 ordinary shares on 4 May 2017. The conversion price was set at a 20% discount on the concurrent rights issue at the time, resulting in the issue of the shares at \$0.20 per share.

## vi. Transaction costs arising on shares issued

Transaction costs arising on shares issued are directly related costs as a result of the rights issue. These include investigating accountant fees, legal fees, listing fees and underwriting fees as well as other miscellaneous fees.

The tax deductibility of these fees due to their nature has resulted in a temporary tax difference which has been adjusted directly against equity.

## B) OTHER RESERVES

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
Share based payment reserve	103	234
Foreign currency translation reserve	235	-
	<b>338</b>	<b>234</b>

### Share-based payments

The share based payments reserve is used to recognise:

- › The grant date fair value of options issued to employees but not exercised
- › The grant date fair value of shares issued to employees

### Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in **Note 24** and accumulated in a separate reserve with equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

## C) RETAINED EARNINGS/(ACCUMULATED LOSSES)

Movement in retained earnings were as follows:

	\$'000
<b>Balance as at 1 July 2016 – restated</b>	<b>(9,792)</b>
Total comprehensive income for the period	
Profit/(loss) for the year	(10,763)
<b>Total comprehensive income for the period</b>	<b>(10,763)</b>
Transactions with owners in their capacity as owners	-
Contribution of equity net of transaction costs	-
<b>As at 30 June 2017</b>	<b>(20,555)</b>

## 10. CASH FLOW INFORMATION

### A) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	JUN-17 \$'000	JUN-16 \$'000
<b>Profit after tax</b>	<b>(10,763)</b>	<b>(1,362)</b>
Adjustments for:		
Depreciation and amortisation	4,289	1,979
Gain on reversal of earnout provision	(687)	(751)
Unrealised FX (loss)/gain	324	-
Realised FX (loss)/gain	33	-
Finance costs	779	-
Transaction costs	991	-
Share based payment	3,361	84
Restructuring costs	36	-
Tax	(1,063)	-
Fair value expense	4,339	-
Accrued income	(721)	-
Bad debts	-	17
Share of JV loss using equity method	-	118
Gain on disposals	-	(5)
<b>Change in operating assets and liabilities</b>		
<i>Movement in current assets</i>		
(Increase)/decrease in trade receivables	(3,607)	(1,075)
(Increase)/decrease in other debtors	(6)	621
(Increase)/decrease in prepayments	(329)	41
(Increase)/decrease in bonds	(57)	(21)
<i>Movement in current liabilities</i>		
Increase/(decrease) in trade payables	1,019	(991)
Increase/(decrease) in other payables	(5,606)	1,077
Increase/(decrease) in deferred revenue	2,465	833
(Increase)/decrease in deferred tax assets	4,683	-
<b>Cashflow generated from operations</b>	<b>10,243</b>	<b>1,927</b>
<b>Net cash from operating activities</b>	<b>(520)</b>	<b>565</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B) NON-CASH INVESTING AND FINANCING ACTIVITIES

	2017 \$'000	2016 \$'000
Acquisition of plant and equipment by means of finance lease	89	-
Acquisition of subsidiaries through issue of shares	801	750

Shares issued as part of acquisition subsidiaries are shown as part of the consideration shown in *Note 3*.

Options and shares issued to employees under the MSL Solutions Limited Employee Option Plan and employee share scheme for no cash consideration are shown in *Note 19*.

## C) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in the net debt for each of the periods presented.

	NOTE	2017 \$'000	2016 \$'000
Total borrowings	7d	(225)	(309)
Cash and cash equivalents	7b	11,897	2,749
<b>Net debt</b>		<b>11,672</b>	<b>2,440</b>
Total equity	9a	61,085	21,629
<b>Total capital</b>		<b>61,085</b>	<b>21,629</b>

The Group does not have external borrowings other than the bank overdraft.

## RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

### 11. CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statement requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in notes 1 to 10 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there has been actual adjustment this year as a result of an error and of changes to previous estimates.

#### A) SIGNIFICANT ESTIMATES AND ADJUSTMENTS

The areas involving significant estimates or judgements are:

- › Estimation of current tax payable and current tax expense
- › Estimation of research and development tax credits
- › Estimated goodwill impairment
- › Estimated useful life of intangible asset
- › Estimation of contingent purchase consideration in a business combination
- › Recognition of revenue
- › Recognition of deferred tax asset for carried forward tax losses
- › Consolidation decisions

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## B) REVISION OF BUSINESS COMBINATIONS

Included in the Consolidated Financial Statements for the financial year ended 30 June 2016 and the Interim Consolidated Financial Statement for the half-year ended 31 December 2016 were provisional amounts for the acquisition of Rockit Pty Ltd, Verteda Holdings Limited and GolfBox A/S.

During the period 1 January 2017 and 30 June 2017, several adjustments have been made to these provisional amounts for circumstances that existed at the various acquisition dates. These changes have been made in line with AASB 3 *Business Combinations*.

COMBINATION	AREA OF ACQUISITION ADJUSTED	PROVISIONAL AMOUNT \$'000	ADJUSTMENT \$'000	AMOUNT INCLUDED IN FINANCIAL STATEMENTS FOR YEAR ENDING 30 JUNE 2017 \$'000
Rockit Pty Ltd	Deferred revenue	(127)	(46)	(173)
Rockit Pty Ltd	Intercompany loan	373	27	400
Rockit Pty Ltd	Assets created upon acquisition	1,621	19	1,640
Verteda Holdings Limited	Assets created upon acquisition - Customer Relationships	11,802	(8,057)	3,745
Verteda Holdings Limited	Assets created upon acquisition - Software	-	2,272	2,272
Verteda Holdings Limited	Goodwill	1,431	5,785	7,216
GolfBox A/S	Contingent Consideration - Holdback Earnouts	(1,770)	(119)	(1,889)
GolfBox A/S	Contingent Consideration - Net tangible assets	(99)	(8)	(107)
GolfBox A/S	Assets created upon acquisition - Customer Relationships	8,196	(7,614)	582
GolfBox A/S	Assets created upon acquisition - Software	-	6,937	6,937
GolfBox A/S	Goodwill	1,570	797	2,367

## C) SOURCES OF ESTIMATION UNCERTAINTY

### Revenue recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver installation and consultancy services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from managements estimates, the amount of revenue recognised in the year would be increased by \$268k if the proportion performed was increased, or would be decreased by \$268k if the proportion performed was decreased.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in the functional currency	Sensitivity analysis	Monitoring the foreign exchange rates for any material movements
Credit risk	Cash and cash equivalents, trade receivables	Aging analysis Credit ratings	Diversification of bank deposits, credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of credit and borrowing facilities

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 policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group's finance function has been delegated responsibility by the Board for among other issues, managing financial risk exposure within the Group. The Group's 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.

### A) MARKET RISK

#### i. Foreign exchange risk

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with 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.

With the acquisition of both GolfBox and Verteda there are now multiple customers and suppliers in the following currencies:

- › Pound Sterling (Verteda's functional currency)
- › Danish Krone (GolfBox's functional currency)

The Group's remaining subsidiaries outlined in *Note 14(a)* have a functional currency of Australian dollars. The Group's presentation currency is Australian dollars.

As suppliers in any of the above currencies are expected to be repaid in the respective entities functional currencies from local sales, the foreign currency exposure of these suppliers the Group is not exposed to foreign currency risk.

## Exposure

The Groups exposure to foreign currency risk is only relation to transactions in foreign currency that differ from the respective entities functional currencies. The Group's exposure to foreign currency risk at the end of the reporting period is expressed in Australian dollar, was as follows:

2017	GBP \$'000	DKK \$'000	USD \$'000
Trade payables	-	-	(160)
Contingent and deferred consideration	(2,487)	(3,745)	-
<b>Net exposure</b>	<b>(2,487)</b>	<b>(3,745)</b>	<b>(160)</b>

2016	GBP \$'000	DKK \$'000	USD \$'000
Trade receivables	-	-	-
Trade payables	-	-	(26)
Contingent and deferred consideration	-	-	-
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>(26)</b>

## Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2017 \$'000	2016 \$'000
Realised FX loss	(33)	-
Unrealised FX loss	(324)	-

## Sensitivity

As shown in the table above, the Group is primarily exposed to changes in GBP/\$ and KR/\$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from GBP and KR denominated financial instruments.

	IMPACT ON POST TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
GBP/\$ exchange rate - increase 5%	160	-	160	-
GBP/\$ exchange rate - decrease 5%	(177)	-	(177)	-

	IMPACT ON POST TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
KRR/\$ exchange rate - increase 5%	27	-	27	-
KRR/\$ exchange rate - decrease 5%	(30)	-	(30)	-

Profit is more sensitive to movement in the Australian dollar/GBP exchange rates in 2017 than in 2016 because of the acquisition of Verteda Holdings. Profit is more sensitive to movements in the Australian dollar/kr exchange rates in 2017 than 2016 due to the increased deferred and contingent payments due for the acquisition of GolfBox.

The Group's exposure to other foreign exchange movements is not material.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## ii. Price risk

### Exposure

The Group does not have exposure to equity securities price risk arising from investments held by the Group and classified in the balance sheet as held-for-sale.

## B) CREDIT RISK

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers including outstanding receivables.

### i. Risk management

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 7(a)*.

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:

CASH AT BANK AND SHORT-TERM BANK DEPOSITS	2017 \$'000	2016 \$'000
AAA	-	924
AA	9,881	10
A	2,012	1,814
BBB	3	-
Cash on hand	-	-
<b>Total Cash</b>	<b>11,897</b>	<b>2,749</b>

### ii. Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

TRADE RECEIVABLES COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING	2017 \$'000	2016 \$'000
Group 1	4,986	2,155
Group 2	451	184
<b>Total Trade receivables</b>	<b>5,437</b>	<b>2,339</b>

**Group 1** - new and existing customers (more than 6 months) with no defaults in the past

**Group 2** - new and existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

### iii. Impaired trade receivables

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- › Significant financial difficulties of the debtor
- › Probability that the debtor will enter bankruptcy or financial reorganization, and
- › Default or delinquency in payments (more than 60 days overdue)

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See *Note 24* for information about how impairment is calculated.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	CONSOLIDATED	
	30-JUN-17 \$'000	30-JUN-16 \$'000
At the beginning of period	52	52
Provision acquired	62	-
Doubtful debts written off		(17)
Provision for doubtful receivables	1	17
	<b>114</b>	<b>52</b>

The increase in the provision has been the addition of Verteda and GolfBox provisions as part of the acquisitions of these entities.

### iv. Past due but not impaired

As of 30 June 2017, trade receivables of \$450k (2016 - \$185k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 \$'000	2016 \$'000
Up to 3 months	4,986	2,155
3 to 6 months	450	185

The other classes with trade receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

## C) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of fund through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve as well as cash and cash equivalents (*Note 7(c)*) on the basis of expected cash flows. This is generally carried out at the local level in the operating companies of the Group in accordance with practice set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal requirements and maintaining debt financing plans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### i. Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	LESS THAN 6 MONTHS \$'000	6-12 MONTHS \$'000	BETWEEN 1 AND 3 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT (ASSETS) / LIABILITIES \$'000
<b>As at 30 June 2017</b>							
<i>Non-derivatives</i>							
Trade payables	1,966	-	-	-	-	1,966	1,966
Finance lease liabilities	-	29	49	-	-	78	68
Other payables	2,351	-	-	-	-	2,351	2,351
Deferred consideration	1,348	-	988	-	-	2,336	2,336
<b>Total</b>	<b>5,665</b>	<b>29</b>	<b>1,037</b>	<b>-</b>	<b>-</b>	<b>6,731</b>	<b>6,721</b>

### As at 30 June 2016

<i>Non-derivatives</i>							
Trade payables	779	-	-	-	-	779	779
Finance lease liabilities	21	-	-	-	-	21	21
Other payables	3,298	-	-	-	-	3,298	3,298
Loans from related parties	171	-	-	-	-	171	171
Deferred consideration	88	63	163	-	-	314	314
<b>Total</b>	<b>4,357</b>	<b>63</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>4,583</b>	<b>4,583</b>

CONTRACTUAL MATURITIES OF FINANCIAL ASSETS	LESS THAN 6 MONTHS \$'000	6-12 MONTHS \$'000	BETWEEN 1 AND 3 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT (ASSETS) / LIABILITIES \$'000
<b>As at 30 June 2017</b>							
<i>Non-derivatives</i>							
Trade debtors	5,437	-	40	-	-	5,477	5,477
Other receivables	-	1,014	-	-	-	1,014	1,014
Loan to related parties	-	-	847	-	-	847	847
<b>Total</b>	<b>5,437</b>	<b>1,014</b>	<b>887</b>	<b>-</b>	<b>-</b>	<b>7,338</b>	<b>7,338</b>

### As at 30 June 2016

<i>Non-derivatives</i>							
Trade debtors	2,339	-	40	-	-	2,379	2,379
Other receivables	-	766	-	-	-	766	766
Loan to related parties	-	-	847	-	-	847	847
<b>Total</b>	<b>2,339</b>	<b>766</b>	<b>887</b>	<b>-</b>	<b>-</b>	<b>3,992</b>	<b>3,992</b>

## 13. CAPITAL MANAGEMENT

### A) RISK MANAGEMENT

The Group's objectives when managing capital are to:

- › Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- › Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group does not currently have any loan covenants that it is required to meet. However, review of the current ratio is performed monthly to ensure that it is managed and remains at a reasonable level. This current ratio is assessed as per normal accounting practices with an adjustment made to take into account the large deferred revenue balance that the Group carries on an on-going basis.

## GROUP STRUCTURE

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole.

A list of significant subsidiaries is provided in *Note 14(a)*.

## 14. INTERESTS IN OTHER ENTITIES

### A) MATERIAL SUBSIDIARIES

The Group's principal subsidiaries at 30 June 2017 are set out below. Unless otherwise stated they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

NAME	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			30-JUN-17 %	30-JUN-16 %
<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%	100%
Infogenesis Pty Limited	Australia		100%	100%
Golf Group International	Australia		100%	100%
Verteda Holdings Limited	England		100%	0%
GolfBox A/S	Denmark		100%	0%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B) INTERESTS IN ASSOCIATES

NAME	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			30-JUN-17 %	30-JUN-16 %
<i>Unlisted</i>				
Zuuse Pty Ltd	Australia		30%	30%

## UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

- Unrecognised tax amounts – see *Note 6*
- Non-cash investing and financing transactions – see *Note 10b*

## 15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### A) CONTINGENT ASSETS

Micropower Pty Ltd, subsidiary of MSL Solutions Limited, has lodged a claim against Telstra Limited for loss of business due to the system outage created when the telephone and internet were switched to their services.

The matter is currently being reviewed by Telstra's internal dispute resolution team, having received external consultant's advice, the directors believe that a favorable outcome is probable. However, the contingent asset has not been recognised as a receivable at 30 June 2017 as the receipt of the amount is dependent on the outcome of the dispute resolution process.

## 16. COMMITMENTS

### A) NON-CANCELLABLE OPERATING LEASES

The Group various offices under non-cancellable operating leases expiring within 6 months to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2017 \$'000	2016 \$'000
<i>Commitments for minimum lease payments in relation to non-cancellable operation lease are payable as follows:</i>		
Within one year	213	380
Later than one year but not later than five years	297	509
Later than five years	-	-
	<b>510</b>	<b>889</b>

As part of leasing the offices for GolfBox is a rent obligation with a minimum payment in the termination period of 6 months amounting to kr131k.

MSL Solutions Limited has negotiated a 7-year lease for office space at Level 1, 307 Queen Street Brisbane, this lease was executed 17 July 2017.

As part of the harmonisation of the Groups companies Marketown Media Pty Ltd, InfoGenesis Pty Ltd and GolfLink Partners Pty Ltd are currently exploring options for a single office in Sydney to house these teams.

## B) HOSTING AND BACK UP

As part of its operations GolfBox have an operating agreement for hosting and back-up. The minimum payment in the termination period of 6 months is kr250,k.

## C) BANK GUARANTEE

The Group hold a number of bank guarantees in relation to office bond for Golfink Pty Ltd and the bank overdraft facility for Marketown Media Pty Ltd.

	2017 \$'000	2016 \$'000
Bank guarantee - Golfink	90	90
Bank guarantee - Marketown	10	10
	<b>100</b>	<b>100</b>

## 17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following matters have arisen since the end of the financial year which may materially affect operations of MSL, the results of those operations, or the state of affairs of MSL in future financial years:

- › On 7th July 2017, MSL announced its intention to acquire 100% of the shares in Pricap Services Pty Ltd, subject to satisfactory completion of due diligence and MSL Board approval; 17th August 2017, MSL announced the appointment of Andrew Ritter as Chief Financial Officer of the Company; and
- › Zuuse Pty Ltd have undertaken a further capital raising for \$1.5million at 15.5c which was successfully completed as at the date of this report. Zuuse Pty Ltd are in a process to merge with Progressclaim. The public documents indicate the notional value of Zuuse should increase. The merger is proposed for completion by 13 September 2017.

## OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

## 18. RELATED PARTY TRANSACTIONS

### A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 \$'000	2016 \$'000
Short-term employee benefits	1,553	450
Other long-term benefits	37	28
Superannuation	75	57
Share based payments	2,364	69
<b>Total</b>	<b>4,029</b>	<b>604</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 24 to 39.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B) TRANSACTIONS WITH OTHER RELATED PARTIES - LOANS

### i. Loans payable to related parties

The following loan payable transactions occurred with related parties:

	2017 \$'000	2016 \$'000
Beginning of the year	174	174
Loans advanced	300	-
Loan repayments made	(474)	-
Interest charged	11	-
Interest paid	(11)	-
<b>Total</b>	<b>-</b>	<b>174</b>

Interest expense has been incurred on loans from Dr Richard Holzgrefe put in place during financial years ending 30 June 2016 and 30 June 2017. The value of these loans was \$174k and \$300k respectively with an interest rate of 8.23% per annum.

The purpose of these loans was for working capital bridging loans during periods of peak acquisition payments when there were timing difference between funds to be received from rights issues and consideration to be paid.

### ii. Loans receivable from related parties

The following loan receivable transactions occurred with related parties:

	2017 \$'000	2016 \$'000
Beginning of the year	847	847
	<b>847</b>	<b>847</b>

The related party loan with Zuuse Pty Ltd is not due to be repaid until the 31 December 2019. Should the loan not be repaid at this time interest will then be charged on this loan.

In addition to their roles as directors of MSL Solutions Limited, Ian Daly and Craig Kinross currently hold positions as directors on the Zuuse Pty Ltd Board of directors. Ian Daly holds his directorship as a result of his personal shareholding. MSL Solutions Limited has a director position as a result of its non-controlling shareholding, and Craig Kinross holds this position.

Craig Kinross, Ian Daly and Richard Holzgrefe all hold shares of Zuuse Pty Ltd in their personal capacity.

## C) TRANSACTIONS WITH OTHER RELATED PARTIES - COMMISSION PAYMENTS

	2017 \$'000	2016 \$'000
Commission payable - converting notes	793	-
Commission payable - IPO	626	-
	<b>1,419</b>	<b>-</b>

In addition to his role as director of MSL Solutions Limited, David Trude also is Chairman of Baillieu Holst Securities.

Prior to David's appointment to the Board, MSL Solutions Limited engaged Baillieu Holst to assist as part of the issue of converting notes and also capital raising as part of the listing on the Australian Stock Exchange. Commission was paid to Baillieu Holst for the services rendered on normal commercial terms.

## D) TRANSACTIONS WITH OTHER RELATED PARTIES - SERVICES PROVIDED

Prior to MSL's acquisition of GolfBox A/S, Golf Link Partners Pty Ltd had an existing reseller agreement whereby Golf Link acted as a reseller in Australia and New Zealand for GolfBox products. For the period post acquisition and through to completion of all earn-out provisions associated with the acquisition, GolfBox has continued to invoice Golf Link, and Golf Link has continued to pay GolfBox, fees arising from the reseller agreement. The following table summarises the fees charged by GolfBox to GolfLink in both financial year ending 30 June 2016 and 30 June 2017:

	2017 \$'000	2016 \$'000
Golfbox Reseller fees	52	43
	<b>52</b>	<b>43</b>

## 19. SHARE-BASED PAYMENTS

### EMPLOYEE OPTION PLAN

During the financial year ending 30 June 2016, the Board deemed 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 as noted below. The options are exercisable at various dates being 5 years from the date of issuance. The below table details the options granted:

OPTION CLASS	INITIAL GRANT	GRANT DATE	TERM	EXERCISE PRICE
OPA_CLASS_TOTAL	3,300,000	18-Dec-15	5 years	\$0.155
OPB_CLASS_TOTAL	13,500,000	22-Oct-15	5 years	\$0.220
OPC_CLASS_TOTAL	1,500,000	30-May-16	5 years	\$0.220

Prior to the IPO the Board determined that the above options would be consolidated on a 1.4/1 basis and the exercise price adjusted to reflect this consolidation. Option A class options exercise price was adjusted to \$0.217 while Option B and Option C class shares exercise price was adjusted to \$0.308.

Under the option agreements these options immediately vest.

As part of the Group IPO the following options were surrendered and were issued as shares as part of the bonus' detailed for the following employees:

	EXERCISED/SURRENDERED	OPTIONS EXTINGUISHED
Craig Kinross	Surrendered	9,000,000
Peter Jefferis	Surrendered	1,071,429
Greg Davies	Surrendered	535,714
		<b>10,607,143</b>

Subsequent to the IPO, the Board deemed as part of an incentive program that a number of share options were granted to key management personal to take up ordinary shares at an exercise price of \$0.35 each.

No options expired during the periods covered by the above tables.

The following table summarises the share options outstanding at the end of the year, after the completion on 21 March 2017 of the shares and options consolidation at a ratio of 1.4 to 1:

OPTION CLASS	POST MARCH 2017 CONSOLIDATION	GRANT DATE	TERM	EXERCISE PRICE
OPA_CLASS_TOTAL	2,357,142	18-Dec-15	5 years	\$0.217
OPB_CLASS_TOTAL	1,250,000	22-Oct-15	5 years	\$0.308
OPC_CLASS_TOTAL	1,071,430	30-May-16	5 years	\$0.308
OPD_CLASS_TOTAL	300,000	15-May-17	5 years	\$0.350

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## i. Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2017 was \$18k, being \$0.06 per option (2016 - \$84k). The fair value at grant date is determined using an adjusted form of the Black Scholes Model which takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield the risk-free interest rate for the term of the option and the correlations and volatilities of peer group companies.

The model inputs for options granted during the year ended 30 June 2017 included:

- Options are granted for no consideration and vest immediately upon grant.
- Exercise price \$0.35 (2016 - \$0.22 and \$0.155)
- Grant date 15 May 2017 (2016 - 21/10/15 to 20/05/16)
- Expiry date 15 May 2022 (2016 - 21/10/20 to 20/5/2021)
- Share price at grant date \$0.24 (2016 - \$0.155)
- Expected price volatility of MSL Solutions limited shares 67% (2016 - 12%)
- Expected dividend yield: 9.7% (2016 - 9.7%)
- Risk free interest rate: 5.8% (2016 - 1.5%)

Due to the listing of MSL Solutions Limited on the Australian Stock Exchange on 4 May 2017 the volatility has been calculated on the period 4 May 2017 to 9 August 2017.

## 20. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### A) PRICEWATERHOUSECOOPERS AUSTRALIA

#### i. Audit and other assurance services

	2017 \$'000	2016 \$'000
Audit and review of financial statements	206	-
Due diligence services	430	-
<b>Total remuneration for audit and other assurance services</b>	<b>636</b>	<b>-</b>
<b>Total Remuneration PricewaterhouseCoopers Australia</b>	<b>636</b>	<b>-</b>

### B) NETWORK FIRMS OF PRICEWATERHOUSECOOPERS AUSTRALIA

#### i. Audit and other assurance services

##### *PricewaterhouseCoopers United Kingdom*

	2017 \$'000	2016 \$'000
Audit and review of financial statements	28	-
<b>Total remuneration for audit and other assurance services</b>	<b>28</b>	<b>-</b>

##### *PricewaterhouseCoopers Denmark*

	2017 \$'000	2016 \$'000
Audit and review of financial statements	11	-
<b>Total remuneration for audit and other assurance services</b>	<b>11</b>	<b>-</b>
<b>Total Remuneration of network firms of PricewaterhouseCoopers Australia</b>	<b>39</b>	<b>-</b>

## C) NON-PRICEWATERHOUSECOOPERS AUDIT FIRMS

### i. Audit and other assurance services

	2017 \$'000	2016 \$'000
Audit and review of financial statements	26	58
Audit and review fees capitalised due to nexus with IPO	159	-
<b>Total remuneration for audit and other assurance services</b>	<b>185</b>	<b>58</b>

### ii. Taxation services

	2017 \$'000	2016 \$'000
Tax compliance services	-	40
<b>Total remuneration for tax services</b>	<b>-</b>	<b>40</b>
<b>Total Remuneration of non-PricewaterhouseCoopers audit firms</b>	<b>185</b>	<b>98</b>
<b>Total auditors remuneration</b>	<b>860</b>	<b>98</b>

Fees paid to auditors in the amount of \$589k has been capitalised as it has a direct correlation to raising of new capital.

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the Group are important. These assignments are principally tax advice and review of acquisition accounting, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

## 21. EARNINGS PER SHARE

### A) BASIC EARNINGS PER SHARE

	30-JUN-17	30-JUN-16
Total basic earnings per share attributable to the ordinary equity	(0.09)	(0.02)

### B) DILUTED EARNINGS PER SHARE

	30-JUN-17	30-JUN-16
Total basic earnings per share attributable to the ordinary equity	(0.09)	(0.02)

### C) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	30-JUN-17	30-JUN-16
<b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(10,763,146)	(1,362,313)
<b>Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(10,763,146)	(1,362,313)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	30-JUN-17	30-JUN-16
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	117,521,862	89,108,287
<i>Adjustments for calculation of diluted earnings per share:</i>		
Options	4,703,572	11,050,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	122,225,434	100,158,287

## E) INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

### i. Options

Options granted to employees under the MSL Solutions Employee Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in *Note 19*.

## 22. DEED OF CROSS GUARANTEE

MSL Solutions Limited and its subsidiaries are not party to a deed of cross guarantee under which each company guarantees the debts of the others. At this time the Australian subsidiaries of MSL Solutions Limited are not required to lodge separate financial accounts as they are below the threshold for reporting requirements.

## 23. PARENT ENTITY FINANCIAL INFORMATION

### A) SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 \$'000	2016 \$'000
Current assets	9,406	514
Non-current assets	42,847	18,555
<b>Total assets</b>	<b>52,253</b>	<b>19,069</b>
Current liabilities	850	113
Non-current liabilities	4,120	1,800
<b>Total liabilities</b>	<b>4,970</b>	<b>1,913</b>
Contributed equity	61,085	21,629
Retained losses	(13,756)	(4,557)
Reserves	(47)	84
<b>Total equity</b>	<b>47,283</b>	<b>17,156</b>
Loss for the year	(9,199)	(1,366)
<b>Total comprehensive income for the year</b>	<b>(9,199)</b>	<b>(1,366)</b>

## B) DETERMINING THE PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

### i. Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of MSL Solutions Limited.

### ii. Tax consolidation legislation

MSL Solutions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, MSL Solutions Limited, and the controlled entities in the tax consolidated group account for tax on a consolidated basis.

MSL Solutions Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

## 24. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of MSL Solutions Limited and its subsidiaries.

### A) CORPORATE INFORMATION

The consolidated financial statements of MSL Solutions Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 28 August 2017.

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

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

The financial statements are presented in the Australian currency.

### B) 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.

#### i. Compliance with IFRS

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

#### ii. Historical cost convention

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### iii. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

TITLE OF STANDARD	AASB 15: REVENUE FROM CONTRACTS WITH CUSTOMERS
Nature of change	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:</p> <ul style="list-style-type: none"> <li>› IT consulting services – the application of AASB 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;</li> <li>› Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under AASB 15; and</li> <li>› Rights of return – AASB 15 requires separate presentation on the balance sheet of the right to recover the goods from customer and the refund obligation.</li> </ul> <p>The Group is currently assessing the impact of implementing AASB15 on the Group's financial accounts and while areas such as system installation and professional services will be affected the Group does not expect those impacts to be material. The Group will have a choice of full retrospective application, or prospective application with additional disclosures.</p>
Mandatory application date/date of adoption by Group	<p>Mandatory for financial years commencing commencing on or after 1 January 2018, but available for early adoption.</p> <p>The Group does not intend to adopt AASB 15 before it is mandatory.</p>

TITLE OF STANDARD	AASB 16 LEASES
Nature of change	<p>AASB 16 was issued in February 2016. It will result in almost all the leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low -value leases.</p>
Impact	<p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$510k see <b>Note 16</b>. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how will this affect the Group's profit and classification of cash flows.</p> <p>Some of the commitments may be covered by exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.</p>
Mandatory application date/date of adoption by Group	<p>Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.</p>

TITLE OF STANDARD	AASB 9: FINANCIAL INSTRUMENTS
Nature of change	<p>The AASB has issued a new standard for the classification, measurement and derecognition of financial assets and financial liabilities, introduces an expected "expected loss" impairment model and a revised approach to micro-hedge accounting, replacing the guidance in AASB139.</p>
Impact	<p>Management is currently assessing the effects of applying the standard to the liabilities carried at fair value through profit or loss. These liabilities relate to contingent consideration due on acquisition payments in financial years ending 30 June 2017, 2018 and 2019.</p>
Mandatory application date/date of adoption by Group	<p>The standard is applicable for reporting periods after 1 January 2018 but is available for early adoption.</p>

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## C) PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

### i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls 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 affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to **Note 14**).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### ii. 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 Group's interest in the associate.

When the Group's 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 made 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.

### iii. 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.

### iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group did not have any equity accounted investments for the financial year ended 30 June 2017, however MSL Solutions Limited accounted for its investment in Zuuse Pty Ltd under the equity method in the financial year ended 30 June 2016.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors monitor the business have identified 5 reportable segments, based on the type of customer serviced and products sold to those customer bases. Refer to *Note 2*.

## E) FOREIGN CURRENCY TRANSLATION

### i. Function and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using functional currency. The consolidated financial statements are presented in Australia dollar (\$), which is MSL Solutions Limited functional and presentation currency.

### ii. Transactions and balances

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

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

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

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

### iii. Group companies

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

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

## F) REVENUE RECOGNITION

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

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 stated net of the amount of goods and services tax.

Refer to *Note 3* for further details on the Group's specific revenue products.

## G) 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 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.

### i. Research and Development Tax Incentive

Companies with the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. At each reporting period, the Group accounts for such allowances as tax credits. The benefit in excess of the Australian Corporate tax rate of 30% has been recognised as a reduction to research and development expenses. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## H) 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.

## I) 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 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

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.

## J) IMPAIRMENT OF ASSETS

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 is written off immediately to its recoverable amount if the assets carrying amount if the assets carrying amount is greater than its recoverable amount, 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.

## K) 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.

## L) INVESTMENTS AND OTHER FINANCIAL ASSETS

### i. Recognition and Initial Measurement

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.

### ii. 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

### iii. 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.

### iv. 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.

### v. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## M) 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.

### i. 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.

### ii. 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.

### iii. 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.

## N) INTANGIBLE ASSETS

### i. 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.

### ii. 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 basis at a rate between 12.5% 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 'amortisation' in the profit or loss.

### iii. 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.

### iv. Amortisation

Refer to *Note 8(b)* for details about amortisation methods and periods used by the Group for intangible assets.

## O) 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

## P) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measure at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is possible that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## Q) BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

## R) 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.

## S) EMPLOYEE BENEFITS

### i. 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.

### ii. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### iii. Equity-settled compensation

The Group operates an 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.

### T) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### U) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### V) EARNINGS PER SHARE

#### i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- › The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- › By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (*Note 27*).

#### ii. Diluted earning per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- › The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- › The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### W) ROUNDING

Amounts in the financial report and directors' report have been rounded off to the nearest thousand dollar, unless otherwise stated.

### X) GOODS AND SERVICES TAX (GST) AND VALUE ADD TAX (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST and VAT incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST and VAT 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 and VAT component of investing and financing activities, which are disclosed as operating cash flows.

### Y) COMPARATIVES

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



## DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes set out on pages 44 to 106 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- c) at the date of this declaration, there are reasonable ground to believe that the members of the extended closed group identified in *Note 14(a)* will be able to meet any obligation or liabilities.

*Note 24(b)* confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



**Kenneth John Down**  
Chairman



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

Dated at Brisbane this 31st day of August 2017.



# INDEPENDENT AUDITOR'S REPORT



## *Independent auditor's report*

To the shareholders of MSL Solutions Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of MSL Solutions Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **What we have audited**

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### **Independence**

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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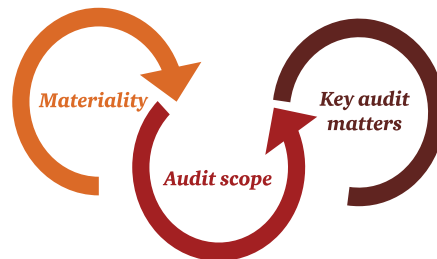
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### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



### *Materiality*

- For the purpose of our audit we used overall Group materiality of \$360,000 which represents approximately 5% of the Group's profit before tax (PBT), after adjusting for transaction costs relating to business combinations and the profit impact in relation to the convertible notes.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group PBT because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the effects of transaction costs relating to business combinations and the profit impact in relation to the convertible notes because they are unusual and infrequently occurring items impacting the Group's profitability.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.

### *Audit scope*

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit procedures were mostly performed at the Group's corporate head office in Brisbane. In establishing the overall approach to the Group audit, we determined the type of audit work that needed to be performed by us, as the Group engagement team, and by auditors in the UK and Denmark operating under our instruction.
- We performed risk focused audit procedures over the Australian businesses, in addition to auditing the consolidation of the Group's overseas entities that form part of the Group's financial report.
- Component auditors operating under instruction performed risk focused audit procedures over the Verteda (UK) and Golf Box (Denmark) statements of profit or loss for the period since their acquisition by the Group through to 30 June 2017, and their balance sheets as at the same date.
- For the work performed by the component auditors in the UK and Denmark, we determined the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence has

# INDEPENDENT AUDITOR'S REPORT



been obtained as a basis for our opinion on the Group's financial report as a whole. This included active dialogue throughout the year through discussions, issuing written instructions, receiving formal interoffice reporting, as well as discussing audit findings meetings with local management.

- We also utilised the expertise of PwC valuations experts to assist with our audit procedures on the Group's business combinations and impairment models.

## Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Accounting for business combinations;
  - Recoverability of the Group's goodwill and intangible assets;
  - Revenue recognition; and
  - Accounting considerations associated with the initial public offering.
- These are further described in the *Key audit matters* section of our report.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

### Key audit matter

#### **Accounting for business combinations** (Refer to Note 3 Business combinations)

During the year ended 30 June 2017, the Group acquired the following entities:

- Verteda Holdings Limited ("Verteda"), a UK based entity, on 31 October 2016 for total consideration of \$14.3m; and
- Golf Box A/S ("Golf Box"), a Denmark based entity, on 14 November 2016 for total consideration of \$9.6m.

In addition, the Group acquired the software assets of Pallister Games ("Pallister"), an Australian entity, on 22 March 2017 for total consideration of \$2.8m.

We considered the accounting for the business combinations to be a key audit matter due to the financial significance of the purchase consideration, net identifiable assets acquired and resultant goodwill arising on the acquisitions, as well as the level of judgement required by the Group in performing the Purchase Price Allocation ("PPA") calculations.

The key areas of judgement included:

- Assessing the likelihood of earn out

### How our audit addressed the key audit matter

Our procedures in relation to the accounting for these business combinations included, amongst others:

- Assessing whether each of the transactions should be treated as an asset acquisition or business combination, in accordance with Australian Accounting Standards.
- Agreeing the initial consideration paid for each acquisition to the relevant bank statements and sale and purchase agreements,
- Agreeing a sample of related transaction costs, including stamp duty and legal fees, to relevant invoices and bank statements, to assess whether these costs were recognised in accordance with Australian Accounting Standards.
- Reading the relevant purchase agreements to assess whether the deferred consideration for each acquisition is contingent upon future events,
- Assessing whether the calculation of the deferred consideration for each acquisition was in accordance with the relevant purchase agreements and Australian Accounting Standards.
- Testing the calculation of contingent consideration liabilities recognised at acquisition date and the measurement and disclosure of related 'earn out' criteria by assessing the



Key audit matter	How our audit addressed the key audit matter
<p>targets being achieved, and the discounting to be applied in the calculation of deferred and contingent consideration liabilities recognised at acquisition date.</p> <ul style="list-style-type: none"> <li>Assessing the fair value of the net identifiable assets acquired.</li> <li>Calculating the valuation of the customer contract and relationship intangible assets by performing a discounted cash flow analysis, and then determining the appropriate useful life for amortisation purposes.</li> <li>The adequacy of the acquisition details disclosed in the financial statements.</li> </ul>	<p>likelihood of financial performance earn out targets being achieved.</p> <ul style="list-style-type: none"> <li>Comparing the discount rates applied by the Group to deferred and contingent consideration liabilities to the discount rates calculated by PwC valuations experts.</li> <li>Considering whether all intangible assets were recognised by the Group by evaluating the assets purchased on acquisition.</li> <li>Agreeing a sample of the tangible net identifiable assets acquired back to supporting information.</li> <li>Assessing the Group's discounted cash flow valuation models used for recognising customer contracts and customer relationship intangible assets acquired, with a particular focus on the key assumptions therein, including forecast future financial performance, growth rates and discount rates.</li> <li>Performing sensitivity analysis on the above mentioned key assumptions, with reference to market data, industry research and the independent expectations of PwC valuations experts.</li> <li>Assessing the accuracy of the resulting goodwill arising on the PPA calculation.</li> <li>Assessing the allocation of goodwill arising in each of the acquisitions to the relevant cash generating unit ("CGU"), which are based upon the Group's operating segments.</li> <li>Assessing the adequacy of the disclosures made in note 3 in light of the requirements of Australian Accounting Standards.</li> </ul>

**Recoverability of the Group's goodwill and intangible assets**

*(Refer to Note 8b Intangible assets)*

The Group recorded intangible assets of \$41.4m at 30 June 2017 comprising:

- Goodwill of \$18.1m
- Contracts and customer relationships of \$17.7m
- Computer software, other of \$5.5m

The Group is required by Australian Accounting Standards to perform an annual impairment assessment over goodwill and non-amortising intangible assets, and also any amortised intangible assets for which indicators of impairment have been identified. This impairment testing is performed by calculating

Our procedures included, amongst others:

- Assessing whether the division of the Group into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting.
- Testing the mathematical accuracy of the underlying calculations in the models;
- Comparing the cash flow forecasts for FY18 used in the models to the Board approved budget for FY18.
- Comparing the FY17 actual results to historical forecasts to assess the historical accuracy of the Group's forecasting processes;
- Together with PwC valuations experts, comparing the growth rates and discount rates used in the models to market data and industry research.

# INDEPENDENT AUDITOR'S REPORT



Key audit matter	How our audit addressed the key audit matter
<p>the 'value in use' for each CGU, using a discounted cash flow model (the "models").</p> <p>The CGU's against which the contracts and customer relationships and computer software are assessed are the underlying businesses to which they relate.</p> <p>The CGU's used to assess the Group's goodwill are consistent with the Group's operating segments, being M Power Venue, M Power Golf and M Power Media.</p> <p>We considered this a key audit matter due to the size of the goodwill and intangible assets balances and because significant judgement is required by the Group in estimating future cash flows, particularly with respect to determining appropriate growth and discount rates.</p> <p>No impairment charge was recorded by the Group in the current financial year.</p>	<ul style="list-style-type: none"><li>• Performing sensitivity analysis to determine the impact of reasonably possible changes in the discount rates, growth rates, EBITDA margins and FY18 forecast used in the models. We found that headroom remained between the carrying value of each CGU's intangible assets and the calculated value in use after adjusting the models for these sensitivities.</li><li>• We also compared the Group's net assets at balance date \$40.9m to its market capitalisation of approximately \$81.0m at 30 June 2017, and noted that there was headroom in the comparison.</li></ul>
<p><b>Revenue recognition</b> <i>(Refer to Note 4 Revenue)</i></p> <p>The Group's revenue is based on a very high volume of transactions across a number of major revenue streams.</p> <p>The revenue recognition process differs for each revenue stream depending on the nature of service provided. These revenue streams are underpinned by different Information Technology (IT) systems and detailed processes and controls.</p> <p>Whilst there is little estimation or judgement involved in the recognition of the Group's revenue, we considered the recognition of revenue to be a key audit matter due to the volume of revenue transactions and contracts, and the number of different revenue IT systems and processes.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• Assessing the design and operating effectiveness of the relevant key controls over the recording of revenue.</li><li>• Through discussions with management, developing an understanding of the various revenue streams and the Group's revenue recognition policy.</li><li>• For each of the Group's revenue streams, we agreed a sample of revenue transactions recorded in the general ledger to supporting documentation such as purchase orders, sales invoices, customer contracts and the receipts in the bank statements.</li><li>• Reading the contract terms for a sample of customer contracts with multiple revenue elements (for example, hardware, software, support and services), to determine whether revenue was recognised in accordance with the Group's accounting policies and Australian Accounting Standards.</li><li>• Utilising data analytic techniques across all revenue streams to identify revenue transactions recognised through manual journal entries, to assess whether the related revenue was recognised in accordance with the Group's accounting policies and Australian Accounting Standards.</li></ul>



#### Key audit matter

##### **Accounting considerations associated with the initial public offering (IPO)**

*(Refer to Note 9a Share Capital)*

On 4 May 2017, the Group listed on the Australian Securities Exchange (“ASX”).

As part of the IPO:

- The Group raised \$15m of equity through the issuance of 60m new shares.
- Transaction costs totalling \$1.7m were capitalised in the Group’s balance sheet as an offset to equity;
- \$17m of convertible notes were converted into \$21.3m of equity; and
- A one-off special bonus of \$3.3m was awarded to senior management.

We determined the accounting for the IPO and the capital raising costs to be a key audit matter because the IPO was a significant transaction impacting the Group’s statement of financial position, consolidated statement of comprehensive income and the consolidated statement of changes in equity.

#### How our audit addressed the key audit matter

Our procedures included, amongst others:

- Agreeing the recorded proceeds from the issuance of shares to supporting documentation such as the prospectus document, ASX announcement, share registry records and bank statements.
- Agreeing a sample of transaction costs that were directly attributable to the equity raising to supporting documentation and assessing the nature of the costs incurred to determine whether they were capitalised in accordance with the Group’s accounting policies and Australian Accounting Standards.
- Checking that the calculation to convert the convertible notes into equity was based upon the terms stipulated in the Converting Note Deed Poll document.
- Performing tests over the mathematical accuracy of the underlying conversion calculations.
- Assessing the fair value adjustments recognised in the consolidated statement of profit or loss and other comprehensive income associated with the conversion of convertible notes.
- For the shares issues as part of the special bonus, we compared the number of shares issued and the price per share to the stipulations listed in the relevant Board minutes, the Deed of Surrender and Equity Incentive Plan. For the cash bonus component, we agreed this to Board minutes.
- Assessing the adequacy of the disclosures made in Note 9a in light of the requirements of Australian Accounting Standards.

# INDEPENDENT AUDITOR'S REPORT



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## *Other information*

The Directors are responsible for the other information. The other information comprises the *Chairman and Managing Directors' Messages*, *MSL Board of Directors*, *Corporate Governance Statement*, *Directors report*, *Shareholder Information* and *Corporate Directory* included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## *Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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## *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.





## *Report on the remuneration report*

### *Our opinion on the remuneration report*

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We have audited the remuneration report included in pages 24 to 39 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of MSL Solutions Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

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### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Michael Crowe'.

Michael Crowe  
Partner

Brisbane  
31 August 2017



## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25 August 2017.

### DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

RANGE	TOTAL HOLDERS	ORDINARY SHARES	%
1 - 1,000	2	33	0.00%
1,001 - 10,000	53	375,163	0.15%
10,001 - 100,000	332	16,355,205	6.56%
100,001 - 500,000	166	39,867,120	15.99%
500,001 - 1,000,000	28	20,722,896	8.31%
1,000,001 and over	44	171,928,548	68.98%

There were three holders of less than a marketable parcel of ordinary shares, totalling 1,823 shares.

### EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

NAME	ORDINARY SHARES	%
1. J P MORGAN NOMINEES AUSTRALIA LIMITED	24,548,484	9.85%
2. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	14,101,891	5.66%
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,739,941	5.11%
4. HOLZGREFE HOLDINGS PTY LTD <HOLZGREFE FAMILY SUPER A/C>	10,913,566	4.38%
5. CRAIG GLEN KINROSS	10,498,271	4.21%
6. LOVAT PTY LTD <LOVAT PTY LTD SUPER FUND A/C>	8,754,131	3.51%
7. BNP PARIBAS NOMS PTY LTD <DRP>	7,925,000	3.18%
8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,278,982	2.92%
9. RUPERT DALY	6,206,044	2.49%
10. JAMBET DOWNS PTY LTD <KJD SUPERANNUATION FUND A/C>	6,153,554	2.47%
11. WALLIS-MANCE PTY LIMITED <WALLIS-MANCE FAMILY A/C>	5,821,696	2.34%
12. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	5,093,750	2.04%
13. INVIA CUSTODIAN PTY LIMITED <THE MORRIS FAMILY A/C>	5,000,000	2.01%
14. ONE MANAGED INVESTMENT FUNDS LIMITED <LAKEHOUSE SMALL COMPANIES A/C>	3,600,000	1.44%
15. GLG HOLDINGS PTY LTD <GLG SUPERANNUATION FUND A/C>	3,428,571	1.38%
16. NATIONAL NOMINEES LIMITED	2,946,776	1.18%
17. BROOKFIELD SUPERANNUATION PTY LTD <BROOKFIELD SUPER FUND A/C>	2,821,429	1.13%
18. BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD>	2,051,282	0.82%
19. GOANNA SUPER PTY LTD <THE GOANNA FUND A/C>	1,857,143	0.75%
20. VP INVESTMENTS PTY LTD <VINCE GAUCI FAMILY A/C>	1,857,143	0.75%
	<b>143,597,654</b>	<b>57.62%</b>

## RESTRICTED EQUITY SECURITIES

39,561,965 ordinary fully paid shares, are subject to voluntary escrow until the release of the Company's financial results for the year ended 30 June 2018.

## UNQUOTED EQUITY SECURITIES

11 holders with total accumulated holdings of 4,978,572 options over ordinary fully paid shares.

## SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

NAME	ORDINARY SHARES	%
ELLERSTON CAPITAL LIMITED	15,682,013	6.29%
REGAL FUNDS MANAGEMENT PTY LTD	14,297,106	5.74%
FORAGER FUNDS MANAGEMENT PTY LTD	13,592,165	5.45%
DR RICHARD HOLZGREFE	12,611,917	5.06%
EIGHT INVESTMENT PARTNERS PTY LTD	12,500,000	5.02%

## VOTING RIGHTS

The voting rights attaching to each class of equity securities are as follows:

Ordinary shares: on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options: No voting rights

## OTHER INFORMATION

There is currently no on-market buy-back of the Company's securities.

The Company has used its cash (and assets in a form readily convertible to cash) that it had at the time of listing in a way consistent with its stated business objectives.

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## CORPORATE DIRECTORY

### COMPANY'S REGISTERED ADDRESS

MSL SOLUTIONS LTD  
ACN 120 815 778  
Level 1, 307 Queen Street  
Brisbane, QLD 4000

### MSL INFORMATION LINE

1800 679 701 (Within Australia)  
+61 7 3512 3510 (Outside Australia)  
[www.mpowermsl.com](http://www.mpowermsl.com)

### DIRECTORS

Kenneth John Down  
Craig Kinross  
Ian Daly  
Kaylene Gaffney  
Dr Richard Holzgrefe  
David Trude

### COMPANY SECRETARY

Andrew Ritter

### LEGAL ADVISOR

#### MCCULLOUGH ROBERTSON

ABN 42 721 345 951  
Level 11, Central Plaza Two  
66 Eagle Street  
Brisbane, QLD 4000

### AUDITOR

#### PRICEWATERHOUSECOOPERS

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Brisbane, QLD 4000  
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### SHARE REGISTRY

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# M•POWER MSL

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