



MGM Wireless Ltd.
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Australian Stock Exchange Limited
20 Bridge Street
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2009 Preliminary Annual Report

27 August 2009

The Company is pleased to report solid progress in its previously stated goals of maintaining and improving growth momentum whilst simultaneously tracking operations towards profit and positive cashflow.

Key achievements include:

- For the six months to June 30th, 2009 the company EBITDA profit was \$ 6,425.00 with an operating loss of (\$118,855).
- Revenue for the six months to June 30th, 2009 was up by 16.5% from \$ 791,268 to \$ 921,921.
- For the full year to June 30th, 2009 the company EBITDA loss was (\$124,889) with an operating loss of (\$350,109).
- Revenue for the year was lower by 0.8 % from \$ 1,902,566 to \$ 1,887,067
- For the year, the company grew its customer base of operational schools by 66 % or 142 new schools to a total of 370 live schools by June 30th, 2009 as compared to 228 schools at the start of the year.
- As of June 30th, 2009 there was a backlog of 106 sold (contracted) schools yet to go live.

Current Liabilities

Total current liabilities were \$1,608,610 of which trade payables were \$147,573. The balance of current liabilities included an accrual of \$367,938 for unearned revenue, accrued SMS charges of \$143,161, other accruals and provisions for \$649,938 and borrowings of \$300,000.

Unearned revenue relates to the unexpired portion of annual software license fees. Software license fees are normally 3 year agreements – which are non-refundable by the company to the customer. The company invoices customers annually. Under current accounting policy, the company accrues revenues on a monthly basis, with the balance of the annual term appearing as a current liability.

The company does not report the un-expired balance of any term of a 3 year agreement as an accrued asset. The aggregate value of these contracts approximately represents additional forward and contracted revenue in excess of \$ 4 million to the company.

As previously reported, costs associated with the re-organisation of the company's operations came to approximately \$ 160,000 - which were felt early in the September 2008 quarter.

About MGM Wireless Ltd and Messageyou, LLC

MGM Wireless Ltd is a public company with a market capitalisation of approximately A\$ 2.0 m listed on the Australian Securities Exchange (ASX code: MWR). The company trades as Messageyou, LLC in the United States, with its head office in Silicon Valley at Sunnyvale, Cal.

The company's patented School Attendance Management solutions empower schools to effectively communicate to parents and caregivers using SMS text messaging in combination with culturally sensitive communication to improve attendance, student welfare and safety. MGM Wireless is recognized in Australia and internationally as pioneers and market leaders. MGM's professional services team delivers an integrated suite of software and communications using its own infrastructure. The solutions enable schools to reduce costs, increase productivity, discharge their duty of care, engage parent involvement, and ultimately improve student learning and social outcomes. Schools in Australia, New Zealand and America use Messageyou software in their day to day operations.

For further information contact:

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Appendix 4E
Preliminary Final Report
Under Listing Rule 4.3A

MGM Wireless Limited
(ABN 93 091 351 530)
Year Ending 30 June 2009
(Previous corresponding period – Year ending 30 June 2008)

Results for announcement to the market

			\$
Revenues	down 0.8%	to	1,887,067
(Loss) after tax from continuing operations	down 84%	to	(350,109)
Net (Loss) for period attributable to members	down 84%	to	(350,109)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil¢	Nil¢
Previous corresponding period	Nil¢	Nil¢
Record date for determining entitlements to dividends	Not applicable	

The company has proposed not to pay a dividend.

MGM Wireless Limited
Commentary on Results
For the Year Ended 30 June 2009

The Company is pleased to inform Shareholders of significant progress in the achievement of previously stated goals of maintaining and improving growth momentum whilst simultaneously track operations towards profit and positive cash flow.

Key financial results for the year include:

1. For the six months to June 30th, 2009 the company is pleased to announce an EBITDA profit of \$6,425.
2. For the full year, the company grew its customer base of operational schools by 66% or 142 new schools to a total of 370 live schools by June 30th, 2009 as compared to 228 schools at the start of the year.
3. As of June 30th, 2009 there was a backlog of 106 sold (contracted) schools yet to go live.
4. For the six months to June 30th, 2009 the company loss was \$118,855 with EBITDA of \$6,425.
5. For the full year to June 30th, 2009 the company EBITDA loss was \$124,889 with an operating loss of \$350,109.
6. For the six months to June 30th, 2009, the company grew its customer base of operational schools by 44 % or 113 new schools, as compared to growth of 13% and 29 new schools for the six months to 31st December 2008.
7. Revenue for the year was lower by 1% from \$ 1,902,566 to \$ 1,887,067 due to a market related product pricing adjustment – which had little effect on our overall gross profit margins.

Current Liabilities

Total current liabilities were \$1,608,610 which included \$367,938 for unearned revenue and accrued SMS charges of \$143,161. Trade payables were \$147,573.

Unearned Revenue Liability and Forward Revenue

The company typically enters into multi-year agreements with its customers, but only invoices annually in advance. Revenue is recognised monthly on a straight line basis that reflects the timing, nature and value of the services provided. The balance of the annual license fee component is booked as unearned revenue liability. The balance of the multi-year agreement is not recognised in the company's accounts.

As previously mentioned, costs associated with the re-organisation of the company's operations came to approximately \$160,000 - which were felt early in the September quarter.

The company is particularly pleased that it was able to make significant improvement in the size of its business by way of the 66% growth in its school clients, whilst simultaneously re-structuring its operations and delivering a much improved bottom line trading result. If the one-off re-organisation costs in the September quarter are taken into consideration the company's overall results for the year are even stronger.

To support its strategy, during the year, the company implemented many new internal systems and business processes in its sales management, customer service, R&D and finance and administration to streamline operations, improve efficiencies, productivity and reduce costs. These included improved Customer Relationship Management, Accounting, Billing and Management systems. Whilst expensive to introduce, these systems have made a significant improvement to the company's financial performance.

In particular, the company R&D operations developed many new and innovative product features and technology improvements which resulted in a more attractive, functionally richer and more competitive product offering to both new and existing customers. This assisted the company to drive new sales harder and achieve a record number of new sales.

The company is committed to building on the progress achieved this year, is excited about its future prospects and looks forward to reporting an improved result for 2010.

MGM Wireless Limited
Income Statement
For the Year Ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue	2	1,887,067	1,902,566
Cost of sales		(141,341)	(905,664)
Doubtful debts		(81,468)	(86,089)
Borrowing costs		(28,698)	(13,950)
Amortisation & depreciation		(196,522)	(338,797)
Advertising and marketing		(38,968)	(195,060)
Consulting fees		(87,911)	(144,530)
Corporate and administration expenses		(478,626)	(619,114)
Share based payment expense		-	(109,560)
Employee benefit expenses		(1,183,642)	(1,714,683)
Net foreign currency losses		-	(2,621)
		<hr/>	<hr/>
Loss before income tax expense		(350,109)	(2,227,502)
Income tax expense		-	-
Loss after tax		(350,109)	(2,227,502)
Net loss attributable to minority interest		-	-
		<hr/>	<hr/>
Net loss attributable to members of MGM Wireless Limited		(350,109)	(2,227,502)
		<hr/>	<hr/>
Basic earnings per share (cents per share)	3	(0.18)	(1.20)
Diluted earnings per share (cents per share)	3	(0.18)	(1.20)

The above Income Statement should be read in conjunction with the attached notes.

MGM Wireless Limited
Balance Sheet
As at 30 June 2009

	Note	2009 \$	2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	241,448	236,651
Trade and other receivables		320,265	670,001
Other		10,712	3,236
Total Current Assets		572,425	909,888
Non-Current Assets			
Property, plant & equipment		169,111	196,643
Intangibles		718,646	584,386
Total Non-Current Assets		887,757	781,029
Total Assets		1,460,182	1,690,917
LIABILITIES			
Current Liabilities			
Trade and other payables		1,277,712	1,473,047
Borrowings		300,000	5,000
Provisions		30,898	56,038
Total Current Liabilities		1,608,610	1,534,085
Total Liabilities		1,608,610	1,534,085
Net Assets		(148,428)	156,832
EQUITY			
Parent entity interest			
Issued capital	4	6,722,112	6,677,112
Reserves	5	133,873	134,024
Accumulated losses		(7,004,413)	(6,654,304)
		(148,428)	156,832
Outside equity interest			
Issued capital		20	20
Accumulated losses		(20)	(20)
		-	-
Total Equity		(148,428)	156,832

The above Balance Sheet should be read in conjunction with the attached notes.

MGM Wireless Limited
Statement of Changes in Equity
For the Year Ended 30 June 2009

	Issued Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2007	6,016,512	(4,426,802)	75,796	-	1,665,506
Loss attributable to members of parent entity		(2,227,502)	-	-	(2,227,502)
Shares issued	611,100	-	-	-	611,100
Cost of share based payment	49,500	-	60,060	-	109,560
Currency translation differences	-	-	-	(1,832)	(1,832)
At 30 June 2008	6,677,112	(6,654,304)	135,856	(1,832)	156,832

	Issued Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2008	6,677,112	(6,654,304)	135,856	(1,832)	156,832
Loss attributable to members of parent entity	-	(350,109)	-	-	(350,109)
Shares issued	45,000	-	-	-	45,000
Cost of share based payment	-	-	-	-	-
Currency translation differences	-	-	-	(151)	(151)
At 30 June 2009	6,722,112	(7,004,413)	135,856	(1,983)	(148,428)

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

MGM Wireless Limited
Cash Flow Statement
For the Year Ended 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		2,011,188	2,121,217
Payments to suppliers and employees		(2,160,851)	(2,958,171)
Interest received		59	12,361
Interest and other costs of finance		(28,698)	(13,950)
Net cash (used in) operating activities	6(b)	(178,302)	(838,543)
Cash flows from investing activities			
Payments for plant & equipment		(5,885)	(74,648)
Payment for research and development		(252,365)	(271,238)
Net cash provided by investing activities		(258,250)	(345,886)
Cash flows from financing activities			
Proceeds from issue of shares		146,500	611,100
Proceeds from borrowings		295,000	5,000
Net cash provided by (used in) financing activities		441,500	616,100
Net decrease in cash held		4,948	568,329
Cash at beginning of the year		236,651	806,812
Effect of exchange rate changes		(151)	(1,832)
Cash at end of the year	6(a)	241,448	236,651

The above Cash Flow Statement should be read in conjunction with the attached notes.

MGM Wireless Limited
Notes to the Financial Statements for the Year Ended 30 June 2009

1. Significant Accounting Policies

Statement of Compliance

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

Basis of Preparation

The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the company's 2008 annual financial report.

In the previous financial year, the company changed its revenue recognition policy for the year ended 30 June 2008 and is now recognising Annual Licence Fee revenue over the life of the contract rather than the previous practice of recognising revenue at the time of signing the purchase contract. Management believes that this will result in the financial report providing reliable and more relevant information about the entity's financial performance and financial position. The change in accounting policy led to a once-off write-down of revenue by \$486,826. The effect of the change is detailed below.

	Net loss under old policy	Effect of change in accounting policy	Net loss under new policy
	\$	\$	\$
2008	(1,740,676)	486,826	(2,227,502)

	2009	2008
	\$	\$
2. Revenue		
Revenue		
Sales revenue	1,887,008	1,890,205
Interest received – other persons	59	12,361
Total Revenue	1,887,067	1,902,566

3. Earnings per Share (EPS)

Net loss from continuing operations attributable to members of the parent entity	(350,109)	(2,227,502)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	198,259,835	187,000,624
Earnings per share (cents)	(0.18)	(1.20)

There are no potential ordinary shares on issue that are considered to be dilutive, therefore basic earnings per share also represents diluted earnings per share.

MGM Wireless Limited

Notes to the Financial Statements for the Year Ended 30 June 2009 (Cont.)

	2009	2008
	\$	\$
4. Contributed Equity		
Issued and paid up capital		
Ordinary shares – fully paid	<u>6,722,112</u>	<u>6,677,112</u>
Movement in ordinary shares on issue	Number	\$
Balance at beginning of year	197,561,205	6,677,112
Issued as consideration for licence distribution rights	<u>5,000,000</u>	<u>45,000</u>
Balance at end of year	<u>202,561,205</u>	<u>6,722,112</u>
5. Reserves		
Option issue reserve	135,856	135,856
Foreign currency translation reserve	<u>(1,983)</u>	<u>(1,832)</u>
	<u>133,873</u>	<u>134,024</u>
(a) Option issue reserve		
(i) <i>Movements in reserve</i>		
Opening balance 1 July	135,856	75,796
Share-based payments	-	60,060
Closing balance 30 June	<u>135,856</u>	<u>135,856</u>
(ii) <i>Nature and purpose of reserve</i>		
The option issue reserve contains amounts received or the value on the issue of options over unissued capital of the company.		
(b) Foreign currency translation reserve		
(i) <i>Movements in reserve</i>		
Opening balance 1 July	(1,832)	-
Currency translation differences	<u>(151)</u>	<u>(1,832)</u>
Closing balance 30 June	<u>(1,983)</u>	<u>(1,832)</u>
(ii) <i>Nature and purpose of reserve</i>		
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled entity.		

MGM Wireless Limited

Notes to the Financial Statements for the Year Ended 30 June 2009 (Cont.)

	2009	2008
	\$	\$
6. Cash Flow Statement		
(a) Reconciliation of cash		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank and on hand	<u>241,448</u>	<u>236,651</u>
(b) Reconciliation of net cash used in operating activities to loss ordinary activities after income tax:		
Net loss	(350,109)	(2,227,502)
Non-cash items		
Amortisation	163,105	302,235
Depreciation	33,417	36,562
Bad and doubtful debts	81,468	86,089
Equity settled share based payment	-	109,560
Changes in assets and liabilities		
Receivables	268,268	(281,014)
Tax assets	-	102,826
Other assets	(7,477)	(1,893)
Payables	(197,746)	506,288
Provisions	(25,140)	16,280
Unearned revenue	(144,088)	512,026
Net cash used in operating activities	<u>(178,302)</u>	<u>(838,543)</u>
7. Net Tangible Asset per Security		
Net tangible assets	(867,074)	(427,554)
Number of shares on issue at 30 June	202,561,205	197,561,205
Net tangible assets per share (cents)	(0.43)	(0.22)
8. Dividends Paid		
No dividends were paid or proposed during the financial year ended 30 June 2009.		
9. Dividend Reinvestment Plans		
The Company does not have Dividend Reinvestment Plans.		

MGM Wireless Limited

Notes to the Financial Statements for the Year Ended 30 June 2009 (Cont.)

10. Segment Information

The company operates predominantly in one business segment, being the provision of business messaging solutions and internet related services. The Group's primary segment format is geographical as each segment represents a strategic business unit that offers different risks and rates of return. The following table presents the revenue and earnings information regarding geographical segments and the assets and liabilities.

	Australia \$	USA \$	Total \$
2009			
Segment revenue	1,837,341	49,726	1,887,067
Segment results	(244,898)	(105,211)	(350,109)
Segment assets	1,445,450	14,732	1,460,182
Segment liabilities	1,575,079	33,531	1,608,610
2008			
Segment revenue	1,806,909	95,657	1,902,566
Segment results	(1,918,263)	(309,239)	(2,227,502)
Segment assets	1,657,499	33,418	1,690,917
Segment liabilities	1,514,210	19,875	1,534,085

11. Additional Commentary on Results

(a) Earnings per Security (EPS)

Basic EPS for the year ended 30 June 2009 was (0.18) cents.

Details of the calculation of basic and diluted EPS is outlined in note 3.

(b) Returns to Shareholders

The Company has not made any distributions or buy backs during the financial year ended 30 June 2009.

12. Subsequent Events

Subsequent to the end of the financial year, the company reached a commercial settlement to finalise and cease litigation proceedings initiated against the company by Lionpalm Pty Ltd, and Messrs Ian & Dean Cameron which operated the company's Western Australian & South Australian licenses, as well as a cross-claim filed by MGM against Lionpalm and Ian & Dean Cameron.

Lionpalm, was seeking \$460,000 and further and alternative compensation plus costs from MGM Wireless Holdings Pty Ltd – a subsidiary of MGM Wireless Ltd - for a variety of alleged claims under various sections of Fair Trade and Trade Practices Act and claims in contract.

The parties have settled the dispute and release each other by:

1. MGM agreeing to acquire the licenses, operations, customers, revenues and all aspects of the businesses in Western Australia & South Australia.
2. Settlement payment by MGM to Lionpalm to be satisfied by:
 - a. Lionpalm retaining approximately \$100,000 currently held by Lionpalm in trust for MGM Wireless Holdings Pty Ltd; and

- b. By November 30th, 2010, payment of \$ 260,000 by MGM Wireless Holdings Pty Ltd to Lionpalm.

3. Each party bearing its own costs.

Except for as disclosed above, there has not been any matter or circumstance that has arisen since 30 June 2009, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

13. Status of Audit or Review

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

Signed: Mark Fortunatow
Director