MGMwireless annual report 2005

redefining school attendance communications

creating a new industry

MGMwireless

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CORPORATE DIRECTORY

DIRECTORS

Mark Fortunatow
Executive Chairman

Mark Hurd
Executive Director

Richard Sciano
Non-Executive Director

SECRETARY

Neville Bassett

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PRINCIPAL OFFICE

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AUDITOR

RSM Bird Cameron Partners
8 St George's Terrace
Perth WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
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Perth WA 6000

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STOCK EXCHANGE

The securities of MGM Wireless Limited are listed on the Australian Stock Exchange Limited

ASX Codes:	MWR	ordinary fully paid shares
	MWRO	options, expiring 30 November 2010

Your Directors present their report together with the financial report of the Company for the year ending 30 June 2005.

Directors

The names and qualifications of persons holding the position of Director of the Company, during the financial period and up to the date of this report are:-

Mark Fortunatow BSc BEc – Executive Chairman

Executive Chairman Mark Fortunatow, founder and chief executive of the Company's subsidiary MGM Wireless Holdings Pty Ltd, brings more than 14 years of senior executive management experience in marketing, engineering, information systems, finance and customer support.

Mr Fortunatow previously founded three successful technology-based enterprises, Linx Computer Systems (developer and marketer of financial software), Timekeeping Australia (a leader in the Australian workforce management market) and Netline Technologies (a company designing, engineering, selling and distributing voice based mobile wireless solutions), accumulating substantial practical experience in the many disciplines required to successfully launch and sustainably grow a successful technology enterprise.

Mr Fortunatow's international experience includes establishing distribution networks in more than 15 countries, as well as successfully executing several strategic relationships and alliances, joint ventures and acquisitions.

He holds a degree of Bachelor of Science and Bachelor of Economics from Adelaide University.

Director since 3 October 2003.

No other directorships in listed companies in the last 3 years.

Mark Edwin Hurd BSc(Hons) – Executive Director

Mr Hurd is co-founder and Chief Technical Officer of MGM Wireless Holdings Pty Ltd.

He holds an honours degree in Mathematical and Computer Sciences and has received numerous awards for outstanding academic and software engineering achievements. He is the chief architect of MGM's technology.

A regular active contributor to Microsoft technical forums, Mr Hurd is sought after internationally by leading software engineers and corporations for his advice and software architecture expertise.

Prior to MGM, Mr Hurd was Chief Technical Officer at Netline Technologies, and before that held positions with Logica and Coopers and Lybrand and assisted numerous academic research projects.

Director since 3 October 2003.

No other directorships in listed companies in the last 3 years.

Richard Salvatore Sciano – Non-executive Director

Mr Sciano was born and educated in Western Australia. He has been involved in the Australian property investment and development industry for over 15 years. Mr Sciano is also the Executive Director of ASX-listed minerals explorer Golden State Resources Ltd, and a director of a number of private companies whose businesses are focused on property investment and development.

Director since 2 January 2003.

During the past 3 years, Mr Sciano has also served as a director of the following listed companies:

- Golden State Resources Limited (January 2003 – present)

Company Secretary

Neville John Bassett B.Bus, CA – Mr Bassett was appointed company secretary on 16 March 1999. A chartered accountant with over 25 years experience. Mr Bassett has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

Principal Activity

The principal activity and focus of the Company's operations during the period was a single source provider of mobile messaging solutions for business enterprises.

Operating Results

The amount of the operating loss attributable to members of the Company after income tax was $497,113 (2004: $579,988 – loss).

Dividends

Since the incorporation of the Company, no dividends have been paid by the Company or are recommended to be paid by the directors.

Review of Operations and Likely Developments in the Future

An Industry is created

When MGM Wireless delivered messageyou™Schools in 2003, a new era in school-parent communications began. From that moment, manual notification of student absences became a thing of the past, and every school had a way to dramatically increase the efficiency and reliability of its communications. With our Student Attendance Communication Solution, there is no reason why any parent should not know immediately of the absence of their child from class. Information that once took days to pass on can now be transmitted in minutes, automatically, with dramatic savings in administration time and costs for schools.

From day one we realised that our success hinged on satisfying our customers. No matter how technologically advanced this product was, we knew we had to give schools exactly what they needed to function more efficiently. Every one of our systems is the result of extensive consultation with principals and school administrators to ensure the product is right for the school.

MGM Wireless is the undisputed leader in the industry it created.

Leader in our Market

MGM Wireless is the leader in a market that is barely tapped. Less than seven percent of approximately 3000 schools in Australia are currently using Student Attendance Communication Solutions.

Our systems are proven to deliver sustained improvements in attendance in the order of 30 to 80 percent as well as associated benefits to student safety and welfare.

Our aim is to continue to accelerate the rate of acceptance by introducing highly reliable and efficient solutions that are tailored to specific schools. By providing schools with a single source of software and support, we ensure the rapid conversion of new customers to the messageyou™Schools solution, and the continual strengthening of our leadership position.

An Integrated Solution

Our software is parameter driven, which means it easily adapts to the special requirements of different schools. It integrates smoothly with schools' host computers and existing software.

To build upon its outstanding early growth, MGM Wireless continues to make significant investments in research and development. The functionality, security and performance of existing products has been enhanced and improved, and after 15 months of development a new product, messageyou™Watchlists, was released in May this year.

messageyou™Watchlists works hand-in-glove with messageyou™Schools to provide superior monitoring and reporting of school attendance patterns, creating an integrated solution of significantly higher value to schools.

messageyou™Watchlists has dramatically increased the ability of school administrators to deal with student absences and lateness, and prioritise scarce school resources in supporting the most vulnerable students and families. The product has increased both buying demand and yield per system sold.

A Focus on Service

Customer support continues to be a top priority at MGM Wireless. Complete support services are available to every customer. These services include product installation, training, and maintenance.

Our systems provide an essential link between schools and information which is critical to their operations. It is our responsibility to make sure these systems work.

MGM Wireless backs its products with comprehensive service that is unique in the market. Schools appreciate the skills of dedicated consultants who work with them designing and installing systems, and who make sure the transition to these systems is simple and efficient. Our best-practice project management and implementation methodologies have resulted in MGM Wireless being strongly supported by the education community because we are reliable, helpful, and responsive to the needs of our customers.

Strong National Performance

Experience gained in our home state of South Australia has allowed MGM Wireless to move into other states and territories smoothly and swiftly. Over 90 percent of the company's income is now derived outside of South Australia – a significant difference from 12 months ago.

A licensed operator for Western Australia was appointed in the second quarter of 2005, to the strong satisfaction of both parties. This operator has now expanded into the Northern Territory.

A license was granted for Queensland in the fourth quarter of 2005, with very impressive initial results. The number of schools using the systems doubled in the first two months of operation, with the expectation of further strong growth in this area.

An International Opportunity

The Company's vision is to become the world leader. MGM Wireless has become clear market leader in Australia, but that does not mean we are content to rest. We expect an increasing share of our revenues to come from international sales as we continue to expand into selected world markets.

2005 has seen a expansion to the New Zealand market. We are currently tailoring our products and refining our services by working closely with a number of schools. We established that there is a very real need for our products in New Zealand, and early results indicate that successes similar to those in Australia can be expected.

Ezyimage

In June 2005, MGM Wireless entered into a 12 month service agreement with Elders Ltd to provide the Ezyimage broadband image hosting service. Under the terms of the agreement, Ezyimage will be available to all Elders direct and franchise offices, totalling over 650 nationally, to promote real estate properties through the use of online virtual tours. This agreement has resulted in all service delivery costs being met by Elders and the payment of monthly fees to MGM Wireless.

Management's discussion & analysis of financial condition and results of operations

The Directors are pleased to report revenues for the year ended 30 June 2005 of $ 1,079,960, representing an increase of 166% over the previous corresponding period.

The net loss before tax improved by 14% to $497,113 whilst the EBITDA improved by 33% to ($280,675). Working capital improved by 53% to $ 697,015 whilst cash holdings increased by 71% to $ 649,387.

Review of Operations and Performance

As previously reported, the Company's present and growing sales levels mean that MGM Wireless is now trading profitably.

The MGM Wireless management team has delivered strong revenue growth and has made significant investments in the Company's future.

During the year sales operations, both direct and under license (in West Australia, Northern Territory and Queensland), were established in all Australian states and territories. As a result, MGM Wireless now has a specialised, well-trained national sales force and channel that continues to grow from strength to strength. The Company has also successfully entered the New Zealand market.

The Company continued to make significant investments in new and ongoing R&D having spent $ 371,253 during the year or 34% of revenues. All R&D costs were expensed. The ongoing R&D has resulted in new product release and improved performance and security of the Company's messaging network and centre – which is now one of the largest application messaging service provider in Australia outside Telstra, Optus, Vodafone and Huchinson.

After 15 months of development, the Company ended the year on a high note with the release of a new product, messageyou™WatchLists, which features leading edge technology that sets a new standard in student attendance management and communication excellence.

messageyou™WatchLists, trialled in South Australia during the past 6 months and has now been launched across Australia. In combination with messageyou™Schools, messageyou™WatchLists has the potential to revolutionise the capacity of school administrators to prioritise scarce school resources in dealing with student absence and lateness. WatchLists enables persons of authority within and external to the school to support the most vulnerable students and families through a patented process of message data collation, data filters and exception alerts.

WatchLists has significantly enhanced the competitiveness of the Company's solutions and increased buying demand from schools. Yields per system sold have also improved. MGM Wireless has lodged patent applications for messageyou™WatchLists in Australia, New Zealand, United States of America, Canada and Europe. Australian Innovation Patents have been granted.

MGM Wireless's strength in innovation, and robust product and services portfolio are instrumental to the Company's success, and most importantly, to the success of our school customers who use MGM Wireless solutions every day to improve student attendance, safety and welfare. Schools across Australia continue to report significant and sustained improvements in student attendance as the result of using MGM Wireless products and services.

As previously announced, the financial results do not accurately reflect the underlying strong growth in sales, as most new sales were derived at a wholesale pricing level rather than the historically higher end user price level due to the Company now deriving most new business through its licensed operations.

The Company continues to build its recurring income stream through new contracts to schools throughout Australia and now New Zealand.

Significant Changes in the State of Affairs

On 23 December 2004, 17,500,000 ordinary shares were issued at an issue price of 2.5 cents per share, thereby raising $437,500 and 5,520,000 ordinary shares were issued in lieu of outstanding fees at an issue price of 2.5 cents per share.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial period under review, not otherwise disclosed in these financial statements and Directors' report.

Events subsequent to end of the financial year

Since the end of the financial year under review and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, in subsequent financial years, other than as detailed in the Review of Operations

Likely Developments

Comments on likely developments and expected results have been covered generally herein and in the Review of Operations.

Share Options

During the year 2,000,000 unlisted options expiring 30 June 2007 at an exercise price of 3 cents each and 9,000,000 unlisted incentive options expiring 31 December 2007 at an exercise price of 3 cents each were issued.

As at the date of this report there were 30,203,380 unissued ordinary shares under options. Refer to note 12 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate any share issue of the company or of any related body corporate.

Directors' Interests in Shares and Options of the Company

Directors' interests in equity instruments of the Company are set out in Note 15 to the financial statements.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the company.

Directors' and Senior Executives' Remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Director	Year	Primary		Post Employment	Equity	Other ##	
		Salary and fees $	Cash Bonus $	Superannuation $	Options # $	$	Total $
M Fortunatow	2005	129,000	-	-	7,175	59,000	195,175
	2004	103,273	-	-	-	-	103,273
M Hurd	2005	76,000	-	-	7,175	49,000	132,175
	2004	64,364	-	-	-	-	64,364
R Sciano	2005	6,000	-	-	2,870	15,000	23,870
	2004	35,000	-	-	-	-	35,000
P Jackson	2005	-	-	-	-	-	-
	2004	5,625	-	-	-	-	5,625
P Ruttledge	2005	-	-	-	-	-	-
	2004	5,625	-	-	-	-	5,625

#On 21 December 2004 shareholders approved the issue of unlisted incentive options to directors. The value of the options issued to directors has been determined using the Black and Scholes option valuation model.

##On 21 December 2004 shareholders approved the issue of ordinary fully paid shares to directors at a deemed issue price of 2.5 cents each in compensation for remuneration and fees foregone for the period 1 July 2003 to 31 December 2004.

Meetings of Directors

The attendance of Directors at the meetings of the Company's Board of Directors held during the year is as follows:

Directors	Number of Meetings Held whilst in office	Number of meetings Attended
M Fortunatow	15	15
M Hurd	15	15
R Sciano	15	10

Corporate Governance Practices

The Company's corporate governance practices are set out in the Corporate Governance Statement contained in this Financial Report.

Officers' Indemnity and Insurance

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or

- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

Legal Proceedings

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.

Auditor

RSM Bird Cameron continues in office in accordance with Section 327 of the Corporations Act 2001.

Non-Audit Services

No non-audit services have been provided by the Auditor or by another person on the Auditor's behalf during the year.

Auditor's Declaration of Independence

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 11.

Signed in accordance with a resolution of directors

Mark Fortunatow
Executive Chairman
Signed at Perth on 30 September 2005

Board of Directors

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfill this role, the Board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

ASX Principles of Good Corporate Governance

The Board continues to review its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the Company's size and resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

During the financial year the Company has complied with each of the 10 Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.1	Majority of Board not independent	The size and scope of the Company's activities does not justify the cost of appointing two additional independent directors
2	2.2 & 2.3	Chairman is not independent	The Board considers that, at this stage of the Company's development, the executive role carried out by the Chairman is in the best interests of the Company.
2	2.4	The Company does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board. The size and scope of the Company's activities does not justify the establishment of such a Committee.
4	4.2, 4.3 & 4.4	The Company does not have an Audit Committee	The role of the Audit Committee has been assumed by the full Board. The size and scope of the Company's activities does not justify the establishment of such a Committee.
4	4.5	No Audit Committee charter	All matters concerning the Company's financial statements were scrutinised and determined by the Board. The Company utilises the services of an independent audit firm that is subject to partner rotation.
6	6.1	Formalisation of a communications strategy with shareholders	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Half-Year Report, Quarterly Reports and the distribution of specific releases covering major transactions or events. The Company's auditors attend all shareholders' meetings.

7	7.1	The Board or appropriate board committee should establish policies of risk oversight and management	While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings.
9	9.2	The Company does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board. The size and scope of the Company's activities does not justify the establishment of such a Committee. No director participated in any deliberation regarding his own remuneration or related issues.
9	9.5	No Remuneration Committee Charter	All matters of remuneration were scrutinised by and determined by the Board.

Skills, Experience, Expertise and Term of Office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors

The independent director of the Company is Mr R Sciano. Mr Sciano meets all the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria").

Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense form the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

Ethical Standards

All Directors and employees are expected to act with the utmost of integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Directors Dealings in Company Shares

The Constitution permits Directors to acquire shares in the Company. Company policy prohibits Directors from dealing in Company shares whilst in possession of price sensitive information. Directors must notify the Company Secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian stock Exchange, the Company on behalf of the Directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and/or options in the Company.

Nomination Committee

The full Board carries out the functions of the Nomination Committee. The Board did not meet formally as the Nomination Committee during the financial year, however any relevant matters were discussed on as-required basis from time to time during regular meetings of the Board.

Audit Committee

The Company does not have an Audit Committee. The role of the Audit Committee has been assumed by the full Board.

The Audit Committee will meet bi-annually in the future (in respect of the full year and half year reports).

Performance Evaluation of the Board and its Members

During the financial year an evaluation of the Board and its members was not formally carried out. To date, there has been no formal process in place for performance evaluation. During the reporting period the Chairman informally carried out an evaluation of the Board.

Company's Remuneration Policies

Remuneration levels for executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and individual's experience and qualifications.

Each of the non-executive directors receives a fixed fee for their services as directors. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no retirement benefits for non-executive directors.

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Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
MGM WIRELESS LIMITED

In relation to our audit of the financial statements of MGM Wireless Limited for the year ended 30 June 2005, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

SCCubitt

S C CUBITT
Partner

Perth, WA
Dated: 30 September 2005

RSM Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MGM WIRELESS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for MGM Wireless Limited (the Company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for preparing a financial report that gives a true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:-

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of MGM Wireless Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of MGM Wireless Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C CUBITT
Partner

Perth, WA
Dated: 30 September 2005

STATEMENT BY DIRECTORS

The Directors declare that the financial statements and notes set out on pages 15 to 31 are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations 2001;

(b) give a true and fair view of the Company's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the year ended 30 June 2005; and

In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the signed declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the Corporations Act 2001.

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

M Fortunatow

Director

Signed at Perth on the 30th day of September 2005

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Revenues from operating activities		1,060,039	325,055	986,644	325,055
Revenues from non-operating activities		19,921	81,193	19,916	81,193
Total revenues from ordinary activities	2	1,079,960	406,248	1,006,560	406,248
Cost of sales		(102,168)	(5,492)	(102,168)	(5,492)
Bad and doubtful debts		(5,528)	(15,500)	(5,528)	(15,500)
Borrowing costs		(25)	(206)	(14)	(206)
Depreciation and amortisation expense		(216,418)	(162,521)	(55,218)	(41,621)
Advertising and marketing		(239,414)	(77,291)	(192,435)	(77,291)
Consulting expenses		(167,258)	(67,385)	(167,258)	(67,385)
Corporate and administration expenses		(224,448)	(184,771)	(211,771)	(184,766)
Employee benefit expenses		(627,054)	(292,636)	(587,121)	(292,636)
Cost of investments sold		-	(24,084)	-	(24,084)
Merger and acquisition costs		-	(156,350)	-	(156,350)
Loss from ordinary activities before income tax expense	3	(502,353)	(579,988)	(314,953)	(459,083)
Income tax expense relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after income tax expense		(502,353)	(579,988)	(314,953)	(459,083)
Net loss attributable to outside equity interest		5,240	-	-	-
Net loss attributable to members of MGM Wireless Limited		(497,113)	(579,988)	(314,953)	(459,083)
Share issues costs		(15,580)	(27,000)	(15,580)	(27,000)
Total revenues, expenses and valuation adjustments attributable to members of MGM Wireless Limited and recognised directly in equity		(15,580)	(27,000)	(15,580)	(27,000)
Total changes in equity other than those resulting from transactions with owners as owners		(512,693)	(606,988)	(330,533)	(486,083)
Basic loss per share (cents per share)	18	(0.34)	(0.56)		
Diluted loss per share (cents per share)	18	(0.34)	(0.56)		

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2005

		Consolidated		Parent Entity	
	Note	2005	2004	2005	2004
		$	$	$	$
CURRENT ASSETS					
Cash assets	16(a)	649,387	378,760	618,637	377,760
Receivables	5	272,565	155,163	184,253	155,163
Other current assets	6	5,155	548	5,155	548
TOTAL CURRENT ASSETS		927,107	534,471	808,045	533,471
NON CURRENT ASSETS					
Other financial assets	7	-	-	767,084	767,005
Receivables	5	-	-	121,021	40,000
Plant and equipment	8	107,752	88,681	81,752	54,681
Intangible assets	9	497,900	693,700	-	42,600
TOTAL NON CURRENT ASSETS		605,652	782,381	969,857	904,286
TOTAL ASSETS		1,532,759	1,316,852	1,777,902	1,437,757
CURRENT LIABILITIES					
Payables	10	223,326	70,012	160,184	70,012
Provisions	11	6,766	7,500	6,766	7,500
TOTAL LIABILITIES		230,092	77,512	166,950	77,512
NET ASSETS		1,302,667	1,239,340	1,610,952	1,360,245
EQUITY					
Parent entity interest					
Contributed equity	12	4,291,584	3,731,664	4,291,584	3,731,664
Reserves	13	5,740	-	5,740	-
Accumulated losses	14	(2,989,437)	(2,492,324)	(2,686,372)	(2,371,419)
Total parent entity interest in equity		1,307,887	1,239,340	1,610,952	1,360,245
Outside equity interest					
Contributed equity		20	-	-	-
Accumulated losses		(5,240)	-	-	-
		(5,220)	-	-	-
TOTAL EQUITY		1,302,667	1,239,340	1,610,952	1,360,245

STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash flows from operating activities					
Receipts from customers		937,109	154,542	952,026	154,542
Payments to suppliers and employees		(1,074,449)	(697,347)	(1,037,922)	(697,347)
Interest received		19,921	19,771	19,916	19,771
Interest and other costs of finance		(25)	(206)	(14)	(206)
Net cash used in operating activities	16(b)	(117,444)	(523,240)	(65,994)	(523,240)
Cash flows from investing activities					
Proceeds from sale of investments		-	58,538	-	58,538
Payment for investments		-	-	(79)	-
Payments for plant and equipment		(39,689)	(4,604)	(39,689)	(4,604)
Loan to controlled entity		-	-	(81,021)	-
Net cash on acquisition of controlled entity		100	1,000	-	-
Net cash provided by/(used in) investing activities		(39,589)	54,934	(120,789)	53,934
Cash flows from financing activities					
Proceeds from issue of shares		437,500	210,000	437,500	210,000
Expenses of share issues		(9,840)	(27,000)	(9,840)	(27,000)
Repayment of borrowings		-	(40,000)	-	(40,000)
Net cash provided by financing activities		427,660	143,000	427,660	143,000
Net increase/ (decrease) in cash held		270,627	(325,306)	240,877	(326,306)
Cash held at the beginning of the financial year		378,760	704,066	377,760	704,066
Cash held at the end of the financial year	16(a)	649,387	378,760	618,637	377,760

The accompanying notes form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report has been prepared on a going concern basis.

The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of MGM Wireless Limited (the parent entity) and all entities which MGM Wireless Limited controlled from time to time during the year and at balance date.

Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Acquisitions of entities are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line dissimilar accounting policies which may exist.

All inter-company balances and transactions have been eliminated in full on consolidation.

(c) Income tax

The company adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdraft.

(e) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(f) Investments

Investments in controlled entities are valued in the parent entity's financial statements at cost less amounts written off for permanent diminution in the value of investments. All other non-current investments are carried at the lower of cost and recoverable amount.

(g) Plant and equipment

Plant and equipment are brought to account at cost, less where applicable, any accumulated depreciation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amount.

(h) Intangible assets

Intellectual property rights and website development costs are carried at cost and amortised on a straight line basis over the period of the expected benefit, not exceeding five years.

(i) Recoverable amount of non-current assets

The carrying amounts of non-current assets valued on a cost basis, including the intellectual property of the MSGU™ Messaging System ('the system'), are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period.

The Company's and consolidated entity's financial statements have been prepared taking into account the Directors' current assessment of the prospects for successful development, deployment and the commercialisation of the Company's and consolidated entity's messaging system. Recoverability of the Company's and consolidated entity's recorded amounts for non- current assets depends on the future events which involve risk and uncertainties.

These events include consumer acceptance of the messaging system and the achievement of the Company's and consolidated entity's business forecasts. The Directors have carefully considered the above factors and have reviewed the progress of the Company and consolidated entity in achieving these business plans and forecasts to date. At this time the Directors are of the view that the outlook for continued successful development, deployment and commercialisation of the Company's and consolidated entity's technology is positive and that the recorded amounts of the Company's and consolidated entity's non-current intangible assets are not stated in excess of their recoverable amounts. The Directors will continue to regularly monitor progress against plans and, where necessary, any required write-downs in the carrying value of these assets will be made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged, by the lender, is recognised as an expense on an accruals basis.

(k) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect to wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefits are measured at the present value of the estimated future cash outflow to be made in respect of services provided employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

(l) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

(n) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to the Company for the reporting period, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax of financing costs associated with dilutive potential ordinary shares and the effect of revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(p) Comparative figures

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

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Sales revenue	1,060,039	325,055	986,644	325,055
Revenue from outside of operating activities				
Sale of investments	-	58,538	-	58,538
Interest	19,921	19,771	19,916	19,771
Other income	-	2,884	-	2,884
Total revenue from ordinary activities	1,079,960	406,248	1,006,560	406,248
3. EXPENSES AND LOSSES/(GAINS)				
Depreciation of plant and equipment	20,618	19,221	12,618	13,221
Amortisation of intangibles	195,800	143,300	42,600	28,400
Total depreciation and amortisation expense	216,418	162,521	55,218	41,621
Doubtful debts	-	15,500	-	15,500
Bad debts	5,528	-	5,528	-
Loss on sale of plant and equipment	-	3,977	-	3,977
Profit on sale of investments	-	(38,431)	-	(38,431)
Auditor's remuneration: RSM Bird Cameron Partners				
- Audit and review of financial reports	10,250	7,500	10,250	7,500

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

4. INCOME TAX EXPENSE

The prima facie tax on the loss from ordinary activities is reconciled to income tax expenses as follows:				
Loss from ordinary activities	502,353	579,988	314,953	459,083
Prima facie tax benefit at 30% (2004 : 30%)	150,706	173,996	94,486	137,725
Less tax effect of non-deductible Expenses	(67,403)	(71,226)	(21,443)	(36,756)
Less tax effect of future income tax benefits not brought to account	(83,303)	(102,770)	(73,043)	(100,969)
Income tax benefit relating to ordinary activities	-	-	-	-

No income tax is payable by the company as it incurred a loss for the year for income tax purposes.

Losses for income tax unrecouped at balance date amounted to approximately $2,596,364 (2004: $2,318,687) (subject to confirmation by the Commissioner of Taxation). The future income tax benefit of $778,909 (2004: $695,606) which may be derived from such losses has not been carried forward as an asset in the statement of financial position and will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

(b) the company continues to comply with the conditions for deductibility imposed by the law; and

(c) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

5. RECEIVABLES

Current				
Trade debtors	272,565	170,663	184,253	170,663
Less: Provision for doubtful debts	-	(15,500)	-	(15,500)
	272,565	155,163	184,253	155,163
Non-Current				
Amount owed by controlled entities	-	-	121,021	40,000

Terms and conditions relating to the above financial instruments:

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

(ii) Amount receivable from the controlled entity are non-interest bearing and repayable on request from the parent entity.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
6. OTHER CURRENT ASSETS				
Rental bond	**5,155**	-	**5,155**	-
Prepayments	**-**	548	**-**	548
	5,155	548	**5,155**	548
7. OTHER FINANCIAL ASSETS				
Shares in unlisted controlled entities	-	-	767,084	767,005

Controlled entities:

Name of entity	Date of Acquisition	Country of Incorporation	Class of Shares	Equity Holding	Cost of Parent Entity's Investment
MGM Wireless (NSW) Pty Ltd	7 July 2000	Australia	Ordinary	80%	80
Ezyauto Pty Ltd	7 July 2000	Australia	Ordinary	100%	1
Ezyrealty Pty Ltd	7 July 2000	Australia	Ordinary	100%	1
Ezytours Pty Ltd	7 August 2000	Australia	Ordinary	100%	1
Land Fund Pty Ltd	31 January 2002	Australia	Ordinary	100%	1
MGM Wireless Holdings Pty Ltd	8 October 2003	Australia	Ordinary	100%	767,000
					767,084

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
8. PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
At cost	**157,232**	146,943	**117,232**	106,943
Accumulated depreciation	**(80,136)**	(60,622)	**(66,136)**	(54,622)
Total plant and equipment	**77,096**	86,321	**51,096**	52,321
Leasehold improvements				
At cost	**32,350**	2,950	**32,350**	2,950
Accumulated amortisation	**(1,694)**	(590)	**(1,694)**	(590)
Total leasehold improvements	**30,656**	2,360	**30,656**	2,360
Total property, plant and equipment				
At cost	**189,582**	149,893	**149,582**	109,893
Accumulated depreciation	**(81,830)**	(61,212)	**(67,830)**	(55,212)
Total written down value	**107,752**	88,681	**81,752**	54,681

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

8. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current finnancial year:

Plant and equipment				
Opening balance	**86,321**	67,275	**52,321**	67,275
Additions	**10,289**	41,654	**10,289**	1,654
Disposals	**-**	(3,977)	**-**	(3,977)
Depreciation	**(19,514)**	(18,631)	**(11,514)**	(12,631)
Closing balance	**77,096**	86,321	**51,096**	52,321
Leasehold improvements				
Opening balance	**2,360**	-	**2,360**	-
Additions	**29,400**	2,950	**29,400**	2,950
Disposals	**-**	-	**-**	-
Depreciation	**(1,104)**	(590)	**(1,104)**	(590)
Closing balance	**30,656**	2,360	**30,656**	2,360

9. INTANGIBLE ASSETS

Intellectual Property - MSGU™				
Cost	**766,000**	766,000	**-**	-
Accumulated amortisation	**(268,100)**	(114,900)	**-**	-
	497,900	651,100	**-**	-
Website development expenditure				
Cost	**142,000**	142,000	**142,000**	142,000
Accumulated amortisation	**(142,000)**	(99,400)	**(142,000)**	(99,400)
	-	42,600	**-**	42,600
	497,900	693,700	**-**	42,600

The basis of recovery of the MsgU™ platform is disclosed in Note 1(i).

10. PAYABLES

Trade creditors and accruals				
Other corporations	**149,592**	37,412	**87,970**	37,412
Directors and director related entities	**11,050**	21,763	**11,050**	21,763
Tax liability	**62,684**	10,837	**61,164**	10,837
	223,326	70,012	**160,184**	70,012

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	Consolidated		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
11. PROVISIONS				
Current				
Employee benefits	**6,766**	7,500	**6,766**	7,500
Number of employees	**3**	3	**3**	3

12. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares, fully paid	**4,291,584**	3,731,664	**4,291,584**	3,731,664

(b) Movement in shares on issue

		Number	2005 $	Number	2004 $
Balance at beginning of year		**132,301,690**	3,731,664	**59,301,690**	2,781,664
Cash issue at 2.5 cents	(i)	**17,500,000**	437,500	**-**	-
Issue in lieu of fees at 2.5 cents	(ii)	**5,520,000**	138,000	**-**	-
Issue at 1.3 cents – Acquisition of MGM Wireless Limited	(iii)	**-**	-	**59,000,000**	767,000
Cash issue at 1.5 cents	(iv)	**-**	-	**14,000,000**	210,000
Expenses of issue		**-**	(15,580)	**-**	(27,000)
Balance at end of year		**155,321,690**	4,291,584	**132,301,690**	3,731,664

(i) On 23 December 2004, 17,500,000 ordinary shares were issued at an issue price of 2.5 cents per share, thereby raising $437,500.

(ii) On 23 December 2004, 5,520,000 ordinary shares were issued in lieu of outstanding fees at an issue price of 2.5 cents per share.

(iii) On 8 October 2003, 59,000,000 ordinary shares were issued as consideration for acquisition of 100% of MGM Wireless Holdings Pty Ltd. The value placed on the issue was the market price at the date of entering into the acquisition agreement.

(iv) On 28 May 2004, 14,000,000 ordinary shares were issued at an issue price of 1.5 cents per share, thereby raising $210,000.

(c) Share Options

- 14,103,380 listed options expiring 30 November 2010 at an exercise price of 20 cents each.
- 5,100,000 unlisted options expiring 31 December 2010 at an exercise price of 20 cents each.
- 2,000,000 unlisted options expiring 30 June 2007 at an exercise price of 3 cents each.
- 9,000,000 unlisted incentive options expiring 31 December 2007 at an exercise price of 3 cents each.

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote, either in person or by proxy, at a meeting of the company.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

13. RESERVES

Option issue reserve	**5,740**	-	**5,740**	-

(i) *Nature and purpose of reserve*

The option issue reserve contains amounts received or the value on the issue of options over unissued capital of the company.

(ii) *Movements in reserve*

During the year, the company issued 2,000,000 unlisted options exercisable at 3 cents per option with an aggregate fair value of $5,740 in satisfaction of share placement fees.

14. ACCUMULATED LOSSES

Balance at beginning of year	**(2,492,324)**	(1,912,236)	**(2,371,419)**	(1,912,336)
Net loss attributable to members	**(497,113)**	(579,988)	**(314,953)**	(459,083)
Balance at end of year	**(2,989,437)**	(2,492,324)	**(2,686,372)**	(2,371,419)

15. DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

Executive Chairman

M Fortunatow

Executive Director - Technical

M Hurd

Non Executive Director

R Sciano

Executive (other than directors) with the greatest authority for strategic direction and management

As the Board of the Company has total authority for the strategic direction and management of the consolidated entity, no person within the consolidated entity has been classified as a “specified executive”.

Details of remuneration

Remuneration of specified directors and specified executives is disclosed in the Remuneration Report contained in the Directors’ Report, in accordance with the regulation issued on 7 July 2005 that amended the Corporations Act 2001, to provide relief from the duplication of information about the remuneration of specified directors and specified executives.

15. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

Equity instruments disclosures relating to directors and executives

Option holdings

The number of options over ordinary shares in the Company held by a director of MGM Wireless Limited or by their personally-related entities, are set out below.

Director	Held at 1 July 2004	Options Granted	Options Exercised	Other Changes	Held at 30 June 2005
M Fortunatow	-	2,500,000	-	-	2,500,000
M Hurd	-	2,500,000	-	-	2,500,000
R Sciano	-	1,000,000	-	-	1,000,000

Share holdings

The numbers of shares in the Company held during the financial year by each director of MGM Wireless Limited, including their personally-related entities, are set out below.

Director	Held at 1 July 2004	Purchases #	Sales	Other ##	Held at 30 June 2005
M Fortunatow	46,295,422	2,360,000	(1,000,000)	(5,912,376)	41,743,046
M Hurd	10,582,500	1,960,000	-	-	12,542,500
R Sciano	-	600,000	(600,000)	-	-

 # On 21 December 2004 shareholders approved the issue of ordinary fully paid shares to directors at a deemed issue price of 2.5 cents each in compensation for remuneration and fees foregone for the period 1 July 2003 to 31 December 2004.

Transfer of shares held in trust to beneficial owner.

Other transactions with directors

All fees paid or payable to directors and their director-related entities have been included in directors remuneration disclosed above.

The terms and conditions of the transactions with directors and director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

No amounts were receivable from directors and their director-related entities at balance date arising from these transactions.

Amounts payable to directors and their director-related entities at balance date arising from these transactions were as follows:

		Consolidated		Parent Entity	
	Note	2005 $	2004 $	2005 $	2004 $
Current payables					
Trade creditors	11	11,050	21,763	11,050	21,763

Wholly owned group

Details of interests in wholly owned controlled entities are set out in Note 7.

	Consolidated		Parent Entity	
	2005 $	2004 $	2005 $	2005 $
16. NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of cash:				
Cash at bank	**649,387**	378,760	**618,637**	377,760
(b) Reconciliation of net cash used in ordinary activities to loss from ordinary activities:				
Loss from ordinary activities after income tax expense	**(502,353)**	(579,988)	**(314,953)**	(459,083)
Non-cash items				
Amortisation	**195,800**	143,300	**42,600**	28,400
Depreciation	**20,618**	19,221	**12,618**	13,221
Loss on sale of plant and equipment	**-**	3,977	**-**	3,977
Profit on sale of investments	**-**	(38,431)	**-**	(38,436)
Bad and doubtful debts	**5,528**	15,500	**5,528**	15,500
Equity issued in lieu of fees	**138,000**	-	**138,000**	-
Changes in assets and liabilities:				
Receivables	**(122,930)**	(170,513)	**(34,618)**	(170,513)
Tax asset	**20,449**	23,830	**20,449**	23,830
Other assets	**(4,607)**	2,892	**(4,607)**	2,892
Payables	**132,785**	49,472	**69,723**	49,472
Provisions	**(734)**	7,500	**(734)**	7,500
Cash flows used by operating activities	**(117,444)**	(523,240)	**(65,994)**	(523,240)

(c) Non-cash investing and financing activities:

During the year, the Company issued 2,000,000 unlisted options exercisable at 3 cents per option with an aggregate fair value of $5,740 in satisfaction of share placement fees. These share transaction costs are not reflected in the statement of cash flows.

(d) Acquisition of controlled entity:

2004

The Company issued 59,000,000 ordinary fully paid shares at a deemed issue price of 1.3 cents each as consideration for the acquisition of all of the issued capital of MGM Wireless Holdings Pty Ltd. Details of the transaction are as follows:

Consideration- Shares issued	-	767,000
Net assets of controlled entity at date of acquisition:		
Cash	-	1,000
Plant and equipment	-	40,000
Intangible – Intellectual Property	-	766,000
Borrowings	-	(40,000)
	-	767,000
Net cash effect:		
Cash consideration paid	-	-
Cash included in nets assets acquired	-	1,000
Cash inflow on purchase of controlled entity	-	1,000

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

17. SEGMENT REPORTING

The company operates predominantly in one business segment, being provision of business messaging solutions and internet related services utilising Web server technology and one geographic region, namely Australia.

18. EARNINGS PER SHARE

Reconciliation of earnings to net loss		
Net loss for year	(502,353)	(579,988)
Adjustment:		
Net loss attributable to outside equity interest	5,240	-
Earnings used in calculation of basic EPS	(497,113)	(579,988)
	No of Shares	No of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	144,284,704	103,564,704

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.

19. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

20. COMMITMENTS

There were no commitments at balance date.

21. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and liabilities, is as follows:

	WeightedAverage Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2005	2004	**2005 $**	2004 $	**2005 $**	2004 $	**2005 $**	2004 $
Financial Assets								
Cash	**5.25%**	4.80%	**649,387**	378,760	**-**	-	**649,387**	378,760
Receivables	**-**	-	**-**	-	**272,565**	155,163	**272,565**	155,163
Total financial assets			**649,387**	378,760	**272,565**	155,163	**921,952**	533,923
Financial Liabilities								
Payables	**-**	-	**-**	-	**223,326**	70,012	**223,326**	70,012
Total financial liabilities			**-**	-	**223,326**	70,012	**223,326**	70,012

21. FINANCIAL INSTRUMENTS (Cont.)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Net fair values

The net fair value of financial assets and liabilities of the company approximates their carrying amount. The company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.
No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

22. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS at 1 July 2004 being the Company's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the Company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Company's best estimate of the known or reliably estimated impact of the changes on total equity as at the date of transition and 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the Company, (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC, and (c) emerging and accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(i) Share-Based Payments

Under AASB 2: Share-based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. AASB 2 is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005.

For the year ended 30 June 2005, employee benefits expense and contributed equity will increase by $17,220 in the parent and consolidated entity representing the value of the options issued to directors during the financial year.

22. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont.)

ii) Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The directors and management has reassessed its impairment testing policy and tested all assets in the consolidated entity for impairment as at 1 July 2004 and 30 June 2005.

It is not expected that there will be any material impact as a result of adoption of this Standard.

iii) Income Tax

Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

It is not expected that there will be any material impact as a result of adoption of this Standard.

	Consolidated Entity	Parent Entity
	2005 $	2005 $
Reconciliation of Net Loss		
Net loss reported under Australian Accounting Standards	(502,353)	(314,953)
Key transitional adjustments:		
— Share-based payment expense (i)	(17,220)	(17,220)
Total transitional adjustments	(17,220)	(17,220)
Net loss under AIFRS	(519,573)	(332,173)
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	1,302,667	1,610,952
Retrospective adjustments to equity at 1 July 2004:	-	-
	1,302,667	1,610,952
Issue of incentive-based options to directors (i)	17,220	17,220
Increase in current year loss resulting from transition to AIFRS	(17,220)	(17,220)
Total equity under AIFRS	1,302,667	1,610,952

Information relating to shareholders and optionholders at 27 September 2005

		Ordinary shares	Listed Options 30 Nov 2010
1.	**Number of Holders**	459	130
2.	**Distribution of shareholders/optionholders**		
	1 - 1,000	4	-
	1,001 - 5,000	45	-
	5,001 - 10,000	36	3
	10,001 - 100,000	237	118
	100,001 and over	137	10
	Total number of holders	459	131
	Total on issue	155,321,690	14,103,380
	Number of holders of less than a marketable parcel	109	
3.	**Percentage of total holdings of 20 largest holders**	64.85%	81.89%
4.	**Substantial Shareholders**	**Number**	%
	Mark Fortunatow	41,743,046	26.87%
	Australian Executor Trustees Ltd <PCI Equities A/C>	14,300,809	9.21%
	M E Hurd <Mark Hurd Investment A/C>	12,542,500	8.07%
5.	**Twenty largest shareholders**	**Number**	%
	Paula Fortunatow <Fortunatow Family A/C>	24,721,000	15.92%
	Australian Executor Trustees Ltd <PCI Equities A/C>	14,085,809	9.07%
	Mark Edwin E Hurd <Mark Hurd Investment A/C>	9,882,500	6.36%
	M Fortunatow <The AM & JM Trust>	9,870,124	6.35%
	Michael Christopher Samra <Michael C Samra Family A/C>	8,823,530	5.68%
	M Fortunatow <The I-Bank Trust>	3,851,922	2.48%
	P Fortunatow <Fortunatow Family A/C>	3,300,000	2.12%
	Yavern Creek Holdings Pty Ltd	2,720,000	1.75%
	Mark Hurd <Mark Hurd Investment A/C>	2,660,000	1.71%
	Cheval Holdings Pty Ltd	2,400,000	1.55%
	Samuel Christopher McCarthy & Brooke Elizabeth Hambour	2,400,000	1.55%
	Symington Pty Ltd	2,225,000	1.43%
	Boardwalk Pty Ltd <Greg Jacobs Account>	2,000,000	1.29%
	Nurragi Investments Pty Ltd	2,000,000	1.29%
	Carmel Elizabeth Whiting	2,000,000	1.29%
	Oswin Pty Ltd	1,800,000	1.16%
	Daniel William Eddington	1,700,000	1.09%
	Boardwalk Pty Ltd	1,500,000	0.97%
	Graham Flavel Ball <TP A/C>	1,421,000	0.91%
	Wobbly Investments Pty Ltd	1,364,292	0.88%
		87,432,687	64.85%

6. Twenty largest listed optionholders

	Number	%
Craig Peter Ball <1998 Pope A/C>	3,010,000	21.34%
Julie Vassallo	3,010,000	21.34%
Kalgoorlie Mine Management Pty Ltd	2,000,000	14.18%
Lois Alda Corns	990,000	7.02%
Timothy Phillip Coleman & Maria Marciniak	420,000	2.98%
David Russell & Laurentia Maria Gordon <Gordon Super Fund A/C>	320,000	2.27%
Kerrie Anne Round	300,000	2.13%
Grosvenor Pirie Management Limited	220,000	1.56%
Alan John Taylor	200,000	1.42%
Anketell Pty Ltd	150,000	1.06%
Belmark Investments Pty Ltd	100,000	0.71%
Gregory Noel Kenny	100,000	0.71%
L J Thomson Pty Ltd	100,000	0.71%
Ted Marchese	100,000	0.71%
Joanne Elizabeth McHale	100,000	0.71%
Andrew John Sawyer	100,000	0.71%
Barbara Anne Tolhurst	100,000	0.71%
Ronald Robert Porter	88,000	0.62%
Donna Lee Allison	80,000	0.57%
Mr Gerald Thomas Foley	60,000	0.43%
	11,730,000	81.89%

7. Unlisted Options expiring 31 December 2010 (Exercisable at 20 cents)

Number of optionholders	6
Total options issued	5,100,000
Holders with more than 20% of this class	
Mr M L Stevens	2,000,000
Mr G P O'Hara	1,200,000

8. Voting Rights

Each member present in person, or by proxy, representative or attorney, has one vote on a show of hands and one vote per share on a poll for each share held. Each member is entitled to notice of, and to attend and vote at, general meetings.

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