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Companies Announcement Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

**ASX Release**

**MGM Wireless Ltd**

Friday, 23 September 2011

**AUDITED ANNUAL REPORT**

**MGM WIRELESS ACHIEVES RECORD PROFIT**

School communications group MGM Wireless Ltd is pleased to report that it achieved an audited record net profit for the year ended 30 June 2011 of \$256,944, a 27% increase over the prior year. Revenue for the year was 5% higher at \$2.4 million. The number of operational schools increased by 21% to 698 including 30 in New Zealand.

During the year, the company invested record amounts in R&D to develop a range of new and exciting products as well as enhancements to existing flagship products that improved functionality and extend their product life-cycles. New products will be progressively released throughout the coming year and will lead to revenue growth.

Further operational improvements were achieved by introducing new technology and streamlining processes in customer service systems, new customer implementation methodologies and back-end infrastructure. These resulted in significant efficiency and cost improvements which contributed to the much improved margins, despite pressure on pricing.

A major achievement during the year was the launch of School News Channel, our school based SMS social networking platform, which will create considerable opportunities for schools to develop their engagement with their stakeholder communities, including parents, grandparents and former students. This subscription, micropayment based service is expected to be a major contributor to growth over the next few years. A range of subscription based services are expected to become a significant feature of our revenue base over the next few years.

***About MGM Wireless Ltd and Messageyou, LLC***

*MGM Wireless Ltd is a South Australian (Adelaide) based public company with a market capitalisation of A\$1.4 m listed on the Australian Securities Exchange (ASX code: MWR). The company trades as Messageyou, LLC in the United States, based in Silicon Valley, Sunnyvale, California.*

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

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

*Schools in Australia, New Zealand and the United States use Messageyou software in their day-to-day operations.*

For further information contact:

**MGM Wireless Ltd. - (ASX:MWR)**

**Mark Fortunatow, CEO**

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# **MGM Wireless Limited**

ABN 93 091 351 530

**2011 Annual Report**



## MGM Wireless Ltd

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Year Ended 30 June 2011

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**Corporate Directory**

**Registered Office**

Suite 13, The Parks  
154 Fullarton Road  
Rose Park SA 5067

**Principal Office**

Suite 13, The Parks  
154 Fullarton Road  
Rose Park SA 5067

Telephone: (08) 8104 9555  
Facsimile: (08) 8431 2400

**Auditor**

IG McDonald FCA  
1st Floor  
206 Greenhill Road  
EASTWOOD SA 5063

Telephone: 0419 620 906  
(08) 8271 8585  
Facsimile: (08) 8356 6397

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 5  
115 Grenfell Street  
Adelaide SA 5000

Telephone: 1300 556 161  
Overseas Callers 61 3 9415 4000  
Facsimile: 1300 534 987

**Stock Exchange**

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

ASX Codes: MWR ordinary fully paid shares

## **Directors Report**

Your Directors present their report on the Company and its controlled entities for the year ended 30 June 2011.

### **Directors**

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mark Fortunatow  
Mark Edwin Hurd  
John Sydney Dawkins (resigned 8 March 2011)  
Shaun Michael Collopy

### **Information on Directors**

#### ***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 20 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 is on the Board of Directors of the Asthma Foundation of South Australia Incorporated.

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

Mr Fortunatow has been a director since 3 October 2003 and has held 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 has over 18 years experience in software engineering, and holds an honours degree in Mathematical and Computer Sciences. He 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 & Lybrand (now Pricewaterhousecoopers) and carried out numerous academic research projects.

In 1998, Mr Hurd co-founded Netline Technologies to design, engineer, sell and distribute voice-based mobile wireless solutions. The company achievements included winning the "Most Outstanding Wireless Mobile Product" trophy at Internet World 2000, for E-Fone.

Mr Hurd has been a director since 3 October 2003. He has held no other directorships in listed companies in the last 3 years.

**Directors Report (cont.)**

***John Sydney Dawkins AO BEc – Non-executive Director - (Resigned 8 March, 2011)***

Mr Dawkins served in the Australian Federal Government as Treasurer and Minister for Employment, Education and Training among other posts.

Following his retirement from politics in 1994, he commenced building a career in business as a strategic advisor and board member. For nine years he was chairman of Elders Rural Bank and for nearly 10 years served on the Board of Sealcorp Holdings, now Asgard Wealth Solutions. His current appointments include Chairman of Retail Energy Market Company and Integrated Legal Holdings Ltd and Director of Genetic Technologies Ltd and Government Relations Australia.

Mr Dawkins has maintained his interest in education policy, participating in education policy reviews for the World Bank and the OECD in five countries, including Ireland and Malaysia. In 2001 he undertook a review of Education Adelaide for the South Australian Government.

As well as holding a degree in economics, he has been awarded honorary doctorates from the University of South Australia and Queensland University of Technology.

Mr Dawkins has been a director since 17 August 2007. During the past 3 years, Mr Dawkins has also served as a director of the following listed companies:

	<u>Period of Directorship</u>
- TVET Australia Ltd	Since 2010
- Archer Exploration Ltd	Since 2010
- Sovereign Gold Company Ltd	Since 2010
- Integrated Legal Holdings Ltd	Since 2006
- Genetic Technologies	2004-2008

***Shaun Collopy – Non-executive Director***

Shaun Collopy is a founder, and currently second largest shareholder and non-executive Director of successful SMS specialist - Mobile Messenger.

An accomplished entrepreneur, in 2000, Mr Collopy founded Sofwrite Technologies which in August 2001, he sold Sofwrite to Australian publicly listed company, Amnet IT – a division of Amcom Communications, which is listed on the ASX (ASX.AMM).

In October 2003 he negotiated a management buyout of the SMS (Mobile) business/ assets of Amcom to form Sol Mobile, which he grew to a profitable company with \$15m+ annual revenue. In February 2005 Mr Collopy merged Sol Mobile with Mobile Messenger where he was the 2nd largest shareholder, and was instrumental in Mobile Messenger's success.

Mr Collopy was a key driver in growing Mobile Messenger into a profitable company with revenues of \$150m+, 150+staff, offices in 2 countries, and operations in 5 countries.

In October 2007 he sold a majority stake to prestigious private equity firm – Silver Lake which at the time of the sale had a valuation in excess of \$200m. Silver Lake led the transaction process as the major investor, including additional investments from Trinity Ventures (<http://www.trinityventures.com/>) and Montgomery & Co. (<http://www.monty.com/>).

Mr Collopy is the CEO and a Director of Pushing Green Inc, a company based in California that facilitates an on-line community that provides information and support to enable homeowners to reduce costs by of green products and rebates.

Mr Collopy has been a director since 15 July 2009. During the past 3 years he has held no other directorships in listed companies.

**Company Secretary**

**Chris Peirce FCA, BEc, MAgB, Grad Cert Sust.Business**

Mr Peirce is a chartered accountant with over 20 years experience, Mr Peirce has been involved primarily with a significant private agribusiness as CFO & Company Secretary for 16 of those years.

**Directors' Interests in Shares and Options**

The relevant interest of each Director in the shares and options of the Company at the date of this Report is as follows:

Director	Ordinary Fully-paid Shares	Options - exp. 15/04/2012 Exercise price 2 cents	Options - exp. 31/04/2013 Exercise price 2 cents
Mark Fortunatow	40,185,903		5,000,000
Mark Hurd	16,142,500		3,500,000
John Dawkins	1,150,000		1,000,000
Shaun Collopy	1,655,555	2,000,000	1,000,000

Expired Options: 6,500,000 options (4,000,000 Mark Fortunatow) and (2,500,000 Mark Hurd), with an exercise price of 22 cents, expired on the 31/01/2011 as both Directors' elected not to exercise.

**Remuneration of directors and senior management**

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report on pages 11 to 15.

**Corporate Information**

**Corporate Structure**

MGM Wireless Limited is a limited liability company that is incorporated and domiciled in Australia. MGM Wireless Limited has prepared a consolidated financial statements incorporating the entities that it controlled during the financial year as follows:

Entity	Details
MGM Wireless Limited	parent entity
MGM Wireless Holdings Pty Ltd	100% owned controlled entity
Messageyou LLC	100% owned controlled entity
MGM Wireless (NZ) Pty Ltd	100% owned controlled entity

**Nature of Operations and Principal Activities**

The consolidated entity's principal continuing activity during the course of the financial year was as a single source provider of mobile messaging solutions for business enterprises.

**Operating Results**

The amount of the total comprehensive income / (loss) attributable to members of the Company after income tax was \$256,944 (2010: \$202,985).

**Dividends**

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

## **Directors Report (cont.)**

### **Review of Operations**

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

During 2011, the Company invested a record amount of \$635,985 on its R&D programs, of which \$195,145 was capitalised. All of the programs were funded by operations. This significant investment was made in a range of new products as well as on existing flagship products which resulted in improved functionality, extension of product lifecycle and migrating to new technology platforms such as the cloud. The company believes this investment positions the company well for the future and will lead to further revenue and profit growth and create opportunities for the company to enter other markets and deliver new services.

Further operational improvements were achieved by introducing new technology and streamlining processes in customer service systems, new customer implementation methodologies and back-end infrastructure. These resulted in significant efficiency and cost improvements which in turn attributed to the improved profit results.

Key financial results for the year include:

1. EBITDA profit 21% improvement to \$565,592 (2010 result \$467,006)
2. Net profit 27% improvement to \$256,944 (2010 result \$202,985)
3. Revenue for the full year was 5% higher at \$2,390,487 (2010 result \$2,270,678).
4. Customer base of operational schools grew by 21% to a total of 698 schools (2010 result 575).
5. For the six months to June 30, 2011 an EBITDA profit of \$368,390,(2010: \$353,347) with a net profit of \$211,934 (2010 result \$198,142).
6. For the six months to June 30, 2011, the company grew its customer base of operational schools by 25 % or 138 new schools, as compared to a fall of 3% and 15 schools for the six months to December 31, 2010.

The number of schools for the first half was affected by the timing of the transition of NSW Sydney region schools from a group supply arrangement through the region with MGM Wireless to each school that elects to do so, contracting individually with MGM Wireless. This transition was in progress in late December 2010 and was not completed until the second half of the year.

### **Balance Sheet**

The company improved its net asset position by \$448,498 from \$199,404 to \$647,902.

Total current liabilities were 45% lower than in 2010 at \$983,232 which included \$172,928 for unearned revenue and accrued SMS charges of \$172,802. Trade payables were \$209,053.

Revenue growth for the year ended June 2011 has not increased in direct correlation with the growth in school numbers, reflecting the nature of modern business models that utilize web-based technology to lower service delivery costs, enabling services to be offered with more competitive pricing without affecting profit margins or service quality. This has also had an impact on revenues when existing customers renew their multi-year contracts.

Progress has been made throughout 2011 in building a solid footprint in the NZ market. At 30 June 2011, 72 schools had been signed of which 42 remain to be installed (not included in the school numbers above). This market presence will provide a valuable base, and provide significant opportunities to sell upgrades and new feature rich products to the whole NZ market as schools will no longer be tied to the product mandated by the former Government contract.

## **Directors Report (cont.)**

### **Review of Operations (cont.)**

During the half year ended 30 June 2011, MGM Wireless completed the redesign and rebuild of its backend communication and billing infrastructure to support growth in communication volumes with the release of its new products and to improve management and customer service functionality for its existing systems. The rebuild included the move of its infrastructure to a high-security data-hosting facility in Sydney, and new functionality to support cloud server technology. This development has improved the security, scalability, reliability and data redundancy of MGM Wireless's services.

During the financial year the re-purchase of the WA distribution licenses for \$260,000 was finalised, meaning the Company now receives 100% of all customer license fees generated in this territory. This will also attribute to further improved profit and cashflow growth into the future, and allow greater marketing flexibility by being able to directly operate into this territory.

The 30 June closing cash balance of \$ 108,000 was somewhat lower than usual, a temporary anomaly due to delays in cash receipts from customer contracts at the end of the quarter which was happened to be the start of the school holiday period and associated school closures. There was also a delay in the receipt of its R&D grant income of \$273,000.

The Company is pleased with the progress achieved in 2011. The company is well positioned for the future, with ongoing profitable operations from existing products and new revenue opportunities and further associated profit growth with the release of its new products latter this year.

### **Significant Changes in the State of Affairs**

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

### **Events Subsequent to the End of the Financial Year**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity in future financial years.

### **Likely Developments**

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

The Company is actively pursuing various opportunities to grow revenues including new product development and alliances with other companies.

Disclosure of more specific information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### **Dividends**

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

**Directors Report (cont.)**

**Shares Under Option or Issued on Exercise of Options**

Details of unissued shares or interests under option as at the date of this report are:

<b>Issuing Entity</b>	<b>Number of Shares Under Option</b>	<b>Class of Shares</b>	<b>Exercise Price of Options</b>	<b>Expiry Date of Options</b>
MGM Wireless Ltd	1,000,000	Ordinary	2 cents	7/11/2011
MGM Wireless Ltd	683,334	Ordinary	8 cents	15/11/2011
MGM Wireless Ltd	2,000,000	Ordinary	2 cents	15/04/2012
MGM Wireless Ltd	10,500,000	Ordinary	2 cents	30/04/2013
	<b>14,183,334</b>			

The holders of these options do not have the right, by virtue of the option to participate in any share issue or interest issue of the company or any other body corporate.

Details of shares or interests under option not exercised and expired during the year are:

<b>Issuing Entity</b>	<b>Number of Shares Under Option</b>	<b>Class of Shares</b>	<b>Exercise Price of Options</b>	<b>Expired Date of Options</b>
MGM Wireless Ltd	1,208,333	Ordinary	6 cents	15/11/2010
MGM Wireless Ltd	14,103,380	Ordinary	20 cents	30/11/2010
MGM Wireless Ltd	5,100,000	Ordinary	20 cents	31/12/2010
MGM Wireless Ltd	6,500,000	Ordinary	22 cents	31/01/2011
	<b>26,911,713</b>			

No shares have been issued during or since the of the financial year as a result of the exercise of an option.

**Meetings of Directors**

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

<b>Directors</b>	<b>Number of Meetings Held whilst in office</b>	<b>Number of meetings Attended</b>
M Fortunatow	9	9
M Hurd	9	9
J Dawkins	8	7
S Collopy	9	9

(report continued over page)

## **Directors Report (cont.)**

### **Corporate Governance Practices**

The Company's corporate governance practices are set out in the Corporate Governance Statement contained in these financial statements.

### **Parent entity reporting**

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010 and Corporations Amendment Regulations 2010 (No. 6). The Company has elected to adopt ASIC class orders [CO 01/1455], [CO 04/672] and [CO 05/642] whereby financial information of the parent entity is disclosed by way of note in the annual financial statements. Details in relation to the parent entity are contained in Note 24.

### **Officers or Auditors' Indemnity and Insurance**

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary Mr C Peirce, and all executive officers of the company and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such as officer or auditor.

### **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**

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

1. All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
2. The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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

### **Auditors Declaration of Independence**

The auditor's independence declaration for the year ended 30 June 2011 has been received and is included on page 26.

[Report continues over the page]

## **Directors Report (cont.)**

### **Remuneration Report (Audited)**

This report details the nature and amount of remuneration for each director and executive of MGM Wireless Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes executives in the parent group receiving the highest remuneration.

For the purposes of this report the term "executive" includes those key management personnel who are not directors of the parent company.

#### *Remuneration Committee*

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives. Since the end of the financial year a separate remuneration committee has been formed, comprising only non-executive directors as required by Listing Rule 12.8.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

#### *A. Remuneration Policy*

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company.

The executive directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

#### *B. Remuneration Structure*

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

#### *Non-executive Director Compensation*

##### *Objective:*

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

## **Directors Report (cont.)**

### **Remuneration Report (cont.)**

#### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including information / evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreements with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

#### *Executive Compensation*

##### *Objective*

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

##### *Structure*

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee has not been considered appropriate for a Company of this size. In accordance with the requirements of ASX Listing Rule 12.8 a separate remuneration committee has been formed since the end of the financial year. Remuneration is regularly compared with the external market by participation in industry salary surveys salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

##### *Fixed Remuneration*

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the information technology sector and external advice. The fixed remuneration is a base salary or monthly consulting fee.

**Directors Report (cont.)**

**Remuneration Report (cont.)**

*Variable Pay — Long Term Incentives*

The objective of long term incentives is to reward directors / executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's / executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTI's) granted to directors/ executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

*C. Employment contracts of directors and senior executives*

The employment arrangements of the directors are not formalised in a contract of employment.

*D. Details of remuneration for year*

**Directors**

The following persons were directors of MGM Wireless Limited during the financial year:

Mark Fortunatow	Chairman (executive) - refer 2 (b) and 2 (c)
Mark Hurd	Director (executive)
John Dawkins	Director (non-executive) - (resigned 8 March, 2011)
Shaun Collopy	Director (non-executive)

**Executives**

The following persons were executives of MGM Wireless Limited during the financial year:

Chris Peirce CFO & Company Secretary.

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Executive Directors.

**Directors Report (cont.)**

**Remuneration Report (cont.)**

*Remuneration*

Details of the remuneration of each Director and named executive officer of the company, including their personally-related entities, during the year was as follows:

<b>Director Remuneration</b>	<b>Mark 2011 Fortunatow</b>	<b>Mark Hurd</b>	<b>John Dawkins</b>	<b>Shaun Collopy</b>
Short term - Salary & Fees	252,912	71,194	36,539	18,000
Post employment - Superannuation	9,621	8,408	3,289	-
Share-based - Options	19,540	13,678	3,908	3,908
Share-based - Shares	-	-	-	-
<b>Total</b>	<b>282,073</b>	<b>93,280</b>	<b>43,736</b>	<b>21,908</b>
% of remuneration share-based	7%	15%	9%	18%
<b>2010</b>			(resigned 8/3/2011)	(appointed 15/7/2009)
Short term - Salary & Fees	239,289	102,000	50,000	18,000
Post employment - Superannuation	9,805	9,180	4,500	-
Share-based - Options	-	-	-	18,200
Share-based - Shares	-	-	-	17,000
<b>Total</b>	<b>249,094</b>	<b>111,180</b>	<b>54,500</b>	<b>53,200</b>
% of remuneration share-based	0%	0%	0%	66%

<b>Executive Remuneration</b>	<b>Chris 2011 Peirce</b>	<b>Neville Bassett (resigned 21/12/2009)</b>
Short term - Salary & Fees	97,897	15,000
Post employment - Superannuation	8,811	-
Share-based - Options	-	-
Share-based - Shares	8,000	-
<b>Total</b>	<b>114,708</b>	<b>15,000</b>
% of remuneration share-based	7%	0%
<b>2010</b>	(appointed 21/12/2009)	
Short term - Salary & Fees	62,604	15,000
Post employment - Superannuation	5,621	-
Share-based - Options	9,100	-
Share-based - Shares	8,500	-
<b>Total</b>	<b>85,825</b>	<b>15,000</b>
% of remuneration share-based	21%	0%

There were no other executives of the company at any time during the year.

There were no performance related payments made during the year.

**Directors Report (cont.)**

**Remuneration Report (cont.)**

The Binomial valuation method was used to value the options issued as share-based payments. The following factors and assumptions were used in determining the fair value of options on grant date:

A discount factor of 30% has been applied to the determined fair value due to lack of marketability as the options are unlisted and are non-transferable.

Issue Date	Spot Price at issue	Exercise Price	Estimated Volatility	RBA 5 Yr Bond Rate	Expiry Date
2/12/10 - M Fortunatow	\$0.008	\$0.02	161%	6%	30/04/2013
2/12/10 - M Hurd	\$0.008	\$0.02	161%	6%	30/04/2013
2/12/10 - J Dawkins	\$0.008	\$0.02	161%	6%	30/04/2013
2/12/10 - S Collopy	\$0.008	\$0.02	161%	6%	30/04/2013

*E. Compensation options to key management personnel*

No options were granted as equity compensation benefits to Directors and Executives during the year, other than as detailed above.

*F. Shares issued to key management personnel on exercise of compensation options*

No shares were issued to Directors and Executives on exercise of compensation options during the year.

During the financial year the following share-based payments were in existence:

Share- Based Payments In Existence During Year Held by Directors and Executives					Unissued shares or Interests under
Issuing Entity	Number of Shares Under Option	Class of Shares	Exercise Price of Options	Expiry Date of Options	Option at the date of this report
MGM Wireless Ltd	2,157,143	Ordinary	7 cents	31/01/2010	
MGM Wireless Ltd	3,000,000	Ordinary	9 cents	30/11/2010	
MGM Wireless Ltd	6,500,000	Ordinary	22 cents	31/01/2011	
MGM Wireless Ltd	1,000,000	Ordinary	2 cents	7/11/2011	1,000,000
MGM Wireless Ltd	2,000,000	Ordinary	2 cents	15/04/2012	2,000,000
MGM Wireless Ltd	10,500,000	Ordinary	2 cents	30/04/2013	10,500,000
					<u>13,500,000</u>

Executives and senior management are entitled to the beneficial interest under the option only if they continue to be employed with the company at the time options vest, unless the Board determines otherwise.

All options granted during the year to directors and executives have vested. No options granted to directors and executives during the year were forfeited. 11,657,143, options previously granted to directors and executives lapsed during the year.

No options were exercised during the year.

Signed in accordance with a resolution of directors,



Mark Fortunatow  
Executive Chairman  
Signed at Adelaide on 30 August, 2011

**Corporate Governance Statement**

The Board of Directors of MGM Wireless Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of MGM Wireless Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on MGM Wireless Limited's key governance principles and practices.

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle Number	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
<b>Principle 2. Structure the board to add value</b>			
2.1	A majority of the board should be independent directors.	2(b), 2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	No
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
<b>Principle 3 Promote ethical and responsible decision-making</b>			
3.1	Establish a code of conduct and disclose the code or a summary as to: - the practices necessary to maintain confidence in the company's integrity; - the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	4(a)	Yes  Yes  Yes
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes
<b>Principle 4 Safeguard integrity in financial statements</b>			
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not chair of the Board; and has at least three members.	3(a)	No No No
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes

**Corporate Governance Statement (cont.)**

Principle Number	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 5 Make timely and balanced disclosure</b>			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
<b>Principle 6 Respect the rights of shareholders</b>			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
<b>Principle 7 Recognise and manage risk</b>			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial statements risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
<b>Principle 8 Remunerate fairly and responsibly</b>			
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

**2. The Board of Directors**

*2 (a) Roles and Responsibilities of the Board*

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct and legal and regulatory compliance;
- the appointment of the Company's Managing Director, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

## **Corporate Governance Statement (cont.)**

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

### *2 (b) Board Composition*

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive; - refer 2 (e)
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of one Non-Executive Director and two Executive Directors. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The Board does not currently comprise a majority of non-executive directors. Given the size and scale of the Company's current operations, the Board does not consider it essential, or cost effective, to appoint further independent directors at this time.

The Chair is not independent and the role of Chair and chief executive officer are exercised by the same person. 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.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Executive Chairman is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

### *2 (c) Chairman and Chief Executive Officer*

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities.

**Corporate Governance Statement (cont.)**

Board policy specifies that the roles of the Chairman and the Chief Executive Officer should be separate roles to be undertaken by separate people. Presently, the role of Chair and Chief Executive Officer are exercised by the same person. 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. The Board will monitor the need to separate these roles as the company’s circumstances change.

*2 (d) Nomination Committee*

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company’s website.

*2 (e) Independent Directors*

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of MGM Wireless Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board currently has one independent non-executive Director.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of MGM Wireless Limited are considered to be independent:

<b>Name</b>	<b>Position</b>
John Dawkins (resigned 8 March 2011)	Non-Executive Director
Shaun Collopy	Non-Executive Director

The following persons were directors of MGM Wireless Limited during the financial year:

<b>Name</b>	<b>Term of Office</b>
Mark Fortunatow	Since 3 October 2003
Mark Hurd	Since 3 October 2003
John Dawkins	Since 17 August 2007 - (resigned 8 March 2011)
Shaun Collopy	Since 15 July 2009

**Corporate Governance Statement (cont.)**

The Board does not currently comprise a majority of independent non-executive directors. Given the size and scale of the Company's current operations, the Board does not consider it essential to appoint further independent directors at this time. The Board will continue to monitor the need to appoint additional non-executive directors, as considered appropriate.

The Board recognises the importance of independent views and, in the Board's role in supervising the activities of management, the Chairman should be a Non-Executive Director. 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 (f) Avoidance of conflicts of interest by a Director*

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

*2 (g) Board access to information and independent advice*

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

*2 (h) Review of Board performance*

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The Board member assessment measures are the responsibility of the Chairman. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of MGM Wireless Limited. Primarily, the review will be carried out through consultation by the Chairman and with individual Directors. Directors whose performance is consistently unsatisfactory may be asked to retire.

**3. Board Committees**

*3 (a) Audit Committee*

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as the Chair of the Board is Chair of the Audit Committee and the Audit Committee does not comprise only Non-Executive Directors. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial statements and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

*External Auditors*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

### **Corporate Governance Statement (cont.)**

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year.

#### *3 (b) Remuneration Committee*

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not had established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues. In accordance with the requirements of ASX Listing Rule 12.8 a separate remuneration committee has been formed since the end of the financial year.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and, where applicable, participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company has and may, in the future, grant options to non-executive directors. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as MGM Wireless Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the option holders, as option holders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

The Board's policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

## **Corporate Governance Statement (cont.)**

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" commencing on page 11 of this Annual Report.

### **4. Ethical and Responsible Decision Making**

#### *4 (a) Code of Ethics and Conduct*

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

#### *4 (b) Policy concerning trading in Company securities*

The Company's "Share Trading Policy" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, subject to exceptions detailed in the policy Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

Closed periods during which trading can generally not occur are:

- The period from July 1 each year to the release of the Annual Report;
- The period from January 1 each year to the release of the Half Yearly Report;
- One week before the release of each quarterly report to the ASX; and
- Any other relevant periods such as when price sensitive information is in existence.

Designated officers are directors and persons engaged in the management of the Company. Designated employees are to obtain clearance from the Disclosure Officer (CEO or his delegate) prior to trading. Other employees cannot trade if within a closed period or if in possession of price sensitive information.

## **Corporate Governance Statement (cont.)**

All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

### **5. Timely and Balanced Disclosure**

#### *5 (a) Shareholder communication*

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements: - be factual and subject to internal vetting and authorisation before issue;

- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

#### *5 (b) Continuous disclosure policy*

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

### **6. Recognising and Managing Risk**

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Audit and Risk Management Charter"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

#### *6 (a) Board oversight of the risk management system*

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

## **Corporate Governance Statement (cont.)**

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

### *6 (c) Risk management roles and responsibilities*

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

### *6 (d) Chief Executive Officer and Chief Financial Officer Certification*

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### *6 (e) Internal review and risk evaluation*

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

**Directors' Declaration**

The directors of the Company declare that:

- (a) 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;
- (b) in the directors opinion, the attached financial statements, and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity;
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (d) the directors have been given the declarations required by sec 295A of the Corporations Act.

Signed in accordance with a resolution of the directors made pursuant to sec 295 (5) if the Corporations Act 2001.

On behalf of the Directors,



Mark Fortunatow  
Executive Chairman

**Signed at Adelaide on 30 August, 2011**



**AUDITOR'S INDEPENDENCE DECLARATION  
MGM WIRELESS LTD**

As auditor for the audit of MGM Wireless Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in cursive script, appearing to read 'Ian G McDonald'.

**Ian G McDonald FCA**  
**Chartered Accountants**

Dated in Eastwood on 30 August 2011

Liability limited by a scheme approved under Professional Standards Legislation

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**Independent auditor's report to the members  
of MGM Wireless Limited****Report on the financial report**

I have audited the accompanying financial report of MGM Wireless Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for MGM Wireless Limited.

**Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

**Auditor's responsibility**

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

My audit did not involve an analysis of the prudence of business decisions made by directors or management.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Independence**

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001.

Liability limited by a scheme approved under Professional Standards Legislation

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**Auditor's opinion**

In my opinion:

- (a) the financial report of MGM Wireless Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the remuneration report**

I have audited the remuneration report included in pages 11 to 15 in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. My responsibility is to express an opinion on the remuneration report, based on my audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion**

In my opinion, the remuneration report of MGM Wireless Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



Ian G McDonald FCA  
Chartered Accountant

Dated at Eastwood on the 21 September 2011

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**Consolidated statement of comprehensive income**

	Notes	Group	
		Year Ended	
		30/06/2011	30/06/2010
		\$	\$
<b>Continuing Operations</b>			
Revenue	5	2,390,487	2,270,678
Cost of sales		(233,070)	(52,753)
Doubtful debts		6,652	42,182
Borrowing costs		(55,334)	(39,643)
Amortisation & depreciation		(253,314)	(224,378)
Advertising and marketing		0	(8,730)
Consulting fees		(51)	(17,432)
Corporate and administration		(391,771)	(390,302)
Employee costs		(1,206,655)	(1,376,637)
Profit before tax		256,944	202,985
Income tax expense	6	0	0
<b>Profit for the year from continuing operations</b>		<b>256,944</b>	<b>202,985</b>
<b>Profit for the year</b>		<b>256,944</b>	<b>202,985</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		4,355	2,295
Transfer to foreign currency reserve		(4,355)	(2,295)
Other comprehensive income net of tax		0	0
<b>Total comprehensive income for the year</b>		<b>256,944</b>	<b>202,985</b>
Profit attributable to:			
<b>Owners of the Company</b>		<b>256,944</b>	<b>202,985</b>
Total comprehensive income attributable to:			
<b>Owners of the Company</b>		<b>256,944</b>	<b>202,985</b>
Note 8.2 details profit by segment.			
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic (cents per share)	7	0.11	0.09
Diluted (cents per share)	7	0.11	0.09
From continuing operations			
Basic (cents per share)	7	0.11	0.09
Diluted (cents per share)	7	0.11	0.09

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

**Consolidated statement of financial position**

	Notes	Group	
		30/06/2011	30/06/2010
		As At	
		\$	\$
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	9	107,975	223,583
Trade and other receivables	10	602,361	509,543
Other	11	5,864	5,624
<b>Total Current Assets</b>		<b>716,200</b>	<b>738,750</b>
Non-Current Assets			
Property, plant and equipment	13	151,694	146,884
Intangibles	14	1,063,240	1,094,521
<b>Total Non-Current Assets</b>		<b>1,214,934</b>	<b>1,241,405</b>
<b>Total Assets</b>		<b>1,931,134</b>	<b>1,980,155</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	15	888,948	1,400,779
Borrowings	16	13,080	300,000
Provisions	17	81,204	79,972
<b>Total Current Liabilities</b>		<b>983,232</b>	<b>1,780,751</b>
Non-Current Liabilities			
Borrowings	16	300,000	0
		300,000	0
<b>Total Liabilities</b>		<b>1,283,232</b>	<b>1,780,751</b>
<b>Net Assets</b>		<b>647,902</b>	<b>199,404</b>
<b>EQUITY</b>			
Parent entity interest:			
Issued capital	18	7,014,777	6,864,663
Reserves	19	181,558	136,168
Accumulated losses	20	(6,548,432)	(6,801,427)
		647,902	199,404
Outside equity interest:			
Issued capital		0	0
Accumulated losses		0	0
		0	0
<b>Total Equity</b>		<b>647,902</b>	<b>199,404</b>

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

**Consolidated statement of changes in equity**

	Issued Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translation Reserve	Total Equity
Consolidated	\$	\$	\$	\$	\$
<b>At 30 June 2009</b>	<b>6,722,112</b>	<b>(7,004,413)</b>	<b>135,856</b>	<b>(1,983)</b>	<b>(148,428)</b>
Profit attributable to members		202,986			202,986
Shares issued	146,500				146,500
Cost of share issue	(3,949)				(3,949)
Currency translation differences				2,295	2,295
<b>At 30 June 2010</b>	<b>6,864,663</b>	<b>(6,801,427)</b>	<b>135,856</b>	<b>312</b>	<b>199,404</b>
Profit attributable to members		256,944			256,944
Shares issued ( SPP)	154,275				154,275
Employee shares issued	8,000				8,000
Cost of share issue	(16,111)				(16,111)
Reclass. 2010 Cost of share issue	3,950	(3,949)			1
Options issued to directors			41,035		41,035
Currency translation differences				4,355	4,355
<b>At 30 June 2011</b>	<b>7,014,777</b>	<b>(6,548,432)</b>	<b>176,891</b>	<b>4,667</b>	<b>647,902</b>

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

**Consolidated statement of cash flows**

Notes	Group	
	Year Ended	
	30/06/2011	30/06/2010
	\$	\$
<b>Cash flows from operating activities</b>		
Profit (loss) for the year	256,944	202,986
Amortisation	226,426	198,497
Non-cash salaries	49,034	
Depreciation	26,697	25,881
Doubtful debts provision	(6,652)	(42,182)
	<b>552,449</b>	<b>385,182</b>
Movements in working capital:		
(Increase) / decrease in trade and other receivables	(86,166)	(240,999)
(Increase) / decrease in other assets	(240)	5,088
Increase / (decrease) in trade and other payables	(415,951)	108,700
Increase / (decrease) in provisions	1,232	49,074
Decrease in unearned revenue	(95,878)	(99,132)
Net cash generated from / (used in) operations	<b>(44,554)</b>	<b>207,913</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(31,507)	(3,654)
Payment for research and development	(195,145)	(220,470)
Net cash provided / (used) by investing activities	<b>(226,652)</b>	<b>(224,124)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	154,275	0
Costs associated with the issue of shares	(16,112)	(3,949)
Proceeds from borrowing	13,080	0
Net cash provided / (used) by financing activities	<b>151,243</b>	<b>(3,949)</b>
Net increase / decrease in cash held	<b>(119,963)</b>	<b>(20,160)</b>
Cash at the beginning of the year	223,583	241,448
Effect of exchange rate changes	4,355	2,295
<b>Cash at the end of the year</b>	<b>107,975</b>	<b>223,583</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

## MGM Wireless Ltd

### Notes to the Financial Statements

#### 1. General Information

MGM Wireless Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described on page 6 of the Annual Report.

#### 2. Adoption of New and Revised Accounting Standards

##### 2.1 Adopted in current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the presentation, disclosure and/or amounts reported in these financial statements. Details of other Standards and Interpretations have been adopted in these financial statements but that have had no effect are set out in section 2.2.

- AASB 101 Presentation of Financial Statements (as revised in September 2007), AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.

AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101 - change in terminology of 'financial report' to 'financial statement' to align with IFRS terminology.

AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' clarify that an entity may choose to present analysis of items of other comprehensive income. The Group having applied the Amendments in prior periods, elected to present the analysis in the statement of changes in equity.

- AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments

The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group adopted the amendments in 2010 with the 2011 financial statements prepared on the same basis enabling direct comparison.

##### 2.2 Standards and Interpretations adopted with no effect on financial statements

- AASB 7 Amendments 'financial Instruments: Disclosure'.

The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosure about credit risk and collateral held and relief from disclosures previously required regarding renegotiated loans.

- AASB 107 Amendments 'Statement of Cash Flows'.

The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify only expenditure that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and therefore, are recognised in profit or loss as incurred) should be reclassified from investment to operating activities in the statement of cash flows.

**Notes to the Financial Statements**

**2. Adoption of New and Revised Accounting Standards (cont)**

- AASB 2008-13: Amendments to Australian Accounting Standards

Arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]

This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.

This interpretation provides guidance regarding the accounting for the extinguishing of a financial liability by the issue of equity instruments. In particular, the equity will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in the profit or loss.

To date, the Group has not entered into transactions of this nature.

- AASB Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'

2.3 Standards and Interpretations not yet adopted or considered not applicable to current operations of Group

<i>Standard / Interpretation</i>	<i>Effective for annual reporting periods beginning on or after</i>		<i>Comments</i>
- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136 , 137, 138 & 139 and Interpretations 9 & 107]			These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regards, impact on the Group will be unable to be determined.
- AASB 5 Amendments 'Non-current Assels Held for Sale and Discounted Operations'.	1 January 2010		Management does not consider the Amendments are applicable to the current operations of the Group.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2]	1 January 2009		Management does not consider the Amendments have any implication on the treatment of these items as currently reported by the Group.
- AASB Interpretation 15: Agreements for the Construction of Real Estate	1 January 2009		Management does not believe that this will represent a change of policy to the Group.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation.	1 October 2008		Management does not consider the interpretation to clarify treatment for the hedge of a net investment in a foreign investment will impact on the Group.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners Clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed carrying value of the assets is recognised in profit or loss.	1 July 2009		This guidance applies prospectively only
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010		Affect, relevance and impact on Group to be assessed to facilitate adoption, where considered appropriate. Where required any prior period values will be restated to enable direct comparisons. To be applied in the financial year ending
- AASB 124 'Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards' AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards' arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2011	30 June 2012	
	1 January 2013		Expected to be applied in the financial year ending 30 June 2014

**Notes to the Financial Statements**

**2. Adoption of New and Revised Accounting Standards (cont)**

- AASB 2009-14 'Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement'	1 January 2011	Management does not consider the Amendments are applicable to the current operations of the Group.
- AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	Affect, relevance and impact on Group to be assessed to facilitate adoption, where considered appropriate. Where required any prior period values will be restated to enable direct comparisons.
- AASB 2010-6 'Amendments to Australian Accounting Standards - Disclosure on Transfers of Financial Assets'	1 July 2011	Relevance and affect on Group to be assessed and if considered appropriate will be applied in the Financial year ending 30 June 2012
- AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	Relevance and affect on Group to be assessed and if considered appropriate will be applied in the Financial year ending 30 June 2013
- AASB 2009-7 Amendments to Australian Accounting Standards	1 July 2009	
- AASB 2009-8 Amendments to Australian Accounting Standards – Group	1 January 2010	
- AASB 2009-9 Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters	1 January 2010	No implication on Group
Cash-Settled Share-based Payment Transactions		
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	
- AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	
- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	

(Report continues over page)

## **Notes to the Financial Statements**

### **3. Summary of Significant Accounting Policies**

#### **3.1 Statement of compliance**

The financial statements is a general purpose financial statements, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### **3.2 Going Concern**

As disclosed in the financial statements:

The Directors believe after consideration of the following factors, there are reasonable grounds to believe that the company and consolidated entity will be able to continue as going concerns:

- The Company's continued profitability in year ended 30 June 2011 after its maiden profit in the year ended 30 June 2010 coupled with management's 2012 budget forecast of further revenue growth and positive bottom line performance as further growth is achieved and new products and innovation are released to the market.
- the continued improvement in the condition of the balance sheet with the retirement of debt that occurred during the year and plans to put before the AGM in relation to the issue of convertible notes that may lead to a further reduction in debt (refer Review of operations- Directors Report).

Accordingly, the Directors believe that the parent and consolidated entity will continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

#### **3.3 Basis of consolidation**

The consolidated financial statements comprise incorporate the financial statements of MGM Wireless Limited (the Company) and entities controlled by MGM Wireless Limited (its subsidiaries).

The financial statements of the subsidiaries are prepared for the same period as MGM Wireless Limited using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

#### **3.4 Revenue recognition**

The basis of revenue recognition remains consistent and 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. (Refer Note 4.1.1 - Notes to the Financial Statements).

## **Notes to the Financial Statements (cont.)**

### **3. Summary of Significant Accounting Policies (cont.)**

#### **3.5 Foreign currency translation**

##### Functional and presentation currency

The functional currency of each of the entities in the group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

##### Translation

• The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

#### **3.6 Taxation**

##### 3.6.1 Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

##### 3.6.2 Deferred Tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial statements purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## **Notes to the Financial Statements (cont.)**

### **3. Summary of Significant Accounting Policies (cont.)**

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### 3.6.3 Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## **Notes to the Financial Statements (cont.)**

### **3. Summary of Significant Accounting Policies (cont.)**

#### **3.7 Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

#### **3.8 Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment – over 5 to 10 years
- Leasehold improvements – 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **3.9 Intangibles**

##### 3.9.1 Intangible assets acquired separately

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with;

- finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.
- indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

**Notes to the Financial Statements (cont.)****3. Summary of Significant Accounting Policies (cont.)****3.9.2 Internally generated intangible assets- research and development**

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

**3.10 Impairment of tangible and Intangible assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**3.11 Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**Notes to the Financial Statements (cont.)****3. Summary of Significant Accounting Policies (cont.)****3.12 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**3.13 Employee-benefits***Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*Long service leave*

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**3.15 Share-based payments**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial method.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MGM Wireless Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

**Notes to the Financial Statements (cont.)**

**3. Summary of Significant Accounting Policies (cont.)**

**3.16 Share-based payment transactions (cont.)**

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**3.17 Issued capital**

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

**3.18 Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**Notes to the Financial Statements (cont.)**

**4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*4.1 Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 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.

Specifically, revenue recognition is subject to the following;

- Events being met, and
- Revenue timings

Events:

*Sale of product/services*

Control of the goods (at the signing of the legally enforceable contract) has passed to the buyer.

*Interest*

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

Revenue timings:

*Sale of product/services*

Revenue from the sale of the Groups products/services is recognised in two components;

Component 1: the majority of revenue is brought to account at the start of the contract in line with the majority of expenses being incurred at that time

Component 2: the balance of revenue is held as a Deferred revenue liability and recognised over the life of the contract as expenses for delivery of the services are incurred.

*Interest*

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

*4.2 Key Estimates – Impairment*

The group assess impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recognised in respect of intangible assets, as the value-in-use calculation is greater than the carrying value of the assets. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss could be recognised up to the maximum carrying value of intangibles at 30 June 2011 amounting to \$1,063,240

No impairment has been recognised in respect of trade receivables for the year ended 30 June 2011 as the directors are of the opinion that all the debts are recoverable.

**Notes to the Financial Statements (cont.)**

**5. Revenue**

The following is an analysis of the Group's revenue for the year from continuing operations.

**Revenue**

	Group Year Ended	
	30/06/2011	30/06/2010
	\$	\$
Sales revenue	2,390,457	2,270,658
Interest received - other persons	30	20
<b>Total revenue</b>	<b>2,390,487</b>	<b>2,270,678</b>

Note 8.2 details revenue by segment

**6. Income Tax**

**6.1 Income tax expense**

The income tax expense for the year differs from the prima facie tax as follows:

Profit / loss for the year	256,944	205,280
Prima facie tax benefit at 30% (2010, 30%)	77,083	60,896
Non-assessable items	21,495	27,369
Non-deductible items	(8,264)	
Deferred tax assets not brought to account	(90,314)	(88,264)
<b>Total income tax expense</b>	<b>0</b>	<b>0</b>

**6.2 Deferred tax asset**

Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in note 3.6.2 occur:

	<b>1,397,884</b>	<b>1,488,198</b>
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**7. Earnings per share**

**Basic earnings per share**

From continuing operations (cents per share)	0.11	0.09
From discontinued operations (cents per share)	0.00	0.00
<b>Total basic earnings per share (cents per share)</b>	<b>0.11</b>	<b>0.09</b>

**Diluted earnings per share**

From continuing operations (cents per share)	0.11	0.09
From discontinued operations (cents per share)	0.00	0.00
<b>Total diluted earnings per share (cents per share)</b>	<b>0.11</b>	<b>0.09</b>

**Notes to the Financial Statements (cont.)**

**7. Earnings per share (cont.)**

**7.1 Basic earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

Net profit / (loss) for the year attributable to owners of the Company

256,944 202,985

Earnings used in the calculation of total basic earnings per share

256,944 202,985

Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations

0 0

Earnings used in the calculation of basic earnings per share from continuing operations

256,944 202,985

Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)

232,393,663 219,971,563

**7.2 Diluted earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows.

Net profit / (loss) for the year attributable to owners of the Company

256,944 202,985

Earnings used in the calculation of total diluted earnings per share

256,944 202,985

Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations

0 0

Earnings used in the calculation of basic earnings per share from continuing operations

256,944 202,985

Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)

232,393,663 219,971,563

	Group	
	Year Ended	
	30/06/2011	30/06/2010
	\$	\$
Net profit / (loss) for the year attributable to owners of the Company	256,944	202,985
Earnings used in the calculation of total basic earnings per share	256,944	202,985
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	0	0
Earnings used in the calculation of basic earnings per share from continuing operations	256,944	202,985
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	232,393,663	219,971,563
Net profit / (loss) for the year attributable to owners of the Company	256,944	202,985
Earnings used in the calculation of total diluted earnings per share	256,944	202,985
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	0	0
Earnings used in the calculation of basic earnings per share from continuing operations	256,944	202,985
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	232,393,663	219,971,563

**Notes to the Financial Statements (cont.)**

**8. Segment Revenues and Results**

**8.1 Adoption of AASB 8 Operating Segments**

The Group adopted AASB 8 Operating Segments with effect from 1 July 2009. As the company in both the current and previous financial years has only operated in one business sector and reporting to management has been on a geographical basis, the adoption of AASB 8 has resulted to no change in the identification of the Group's reportable segments.

**8.2 Segment revenues and results**

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

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

	Segment revenue		Segment profit	
	Year Ended		Year Ended	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
MGM Wireless Holdings	2,362,735	2,240,795	304,999	210,830
USA Message YOU LLC	512	12,848	(14,127)	(7,679)
NZ MGM Wireless (NZ) Pty Ltd	27,240	17,035	(33,928)	(166)
<b>Total for Continuing Operation</b>	<b>2,390,487</b>	<b>2,270,678</b>		
Profit before tax (continuing operations)			<b>256,944</b>	<b>202,985</b>

Revenue reported above represents revenue generated from external customers. There was an inter-entity charge of \$40,836 (2010, \$17,062) from the Australian to the NZ operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. The segment result for NZ and the USA represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment revenue, finance costs and income tax expense. These costs are routinely considered to be part of the Australian operations. This is the basis on which segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**8.3 Segment assets and liabilities**

	Assets		Liabilities	
	Year Ended		Year Ended	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
MGM Wireless Holdings	1,874,310	1,951,046	1,240,475	1,747,578
USA Message YOU LLC	564	9,945	29,946	31,044
NZ MGM Wireless (NZ) Pty Ltd	56,260	19,164	12,811	2,129
<b>Consolidated Assets</b>	<b>1,931,134</b>	<b>1,980,155</b>		
Consolidated Liabilities			<b>1,283,232</b>	<b>1,780,751</b>

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

**Notes to the Financial Statements (cont.)**

**8. Segment Revenues and Results (cont.)**

**8.4 Other segment information**

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
MGM Wireless Holdings	253,123	223,116	31,507	3,182
USA Message YOU LLC	191	1,262	0	0
NZ MGM Wireless (NZ) Pty Ltd	0	0	0	0
Depreciation and Amortisation	<u>253,314</u>	<u>224,378</u>		
Additions to Non-Current Assets			<u>31,507</u>	<u>3,182</u>

**8.5 Geographical Information**

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

**9. Cash and Cash Equivalents**

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

Cash & cash equivalents

	Group	
	30/06/2011	30/06/2010
	\$	\$
Cash and bank balances	<u>107,975</u>	<u>223,583</u>

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

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

**10. Trade and Other Receivables**

**10.1 Trade and other receivables**

**Current**

	Group	
	30/06/2011	30/06/2010
	\$	\$
Trade receivables	609,197	523,031
Provision for doubtful debts	(6,836)	(13,488)
	<u>602,361</u>	<u>509,543</u>

Trade Receivables of \$609,197, includes trade receivables of \$329,022, accrued revenue \$279,194 and other debtors \$981. Trade and other receivables having been reviewed and Provision for potential Doubtful Debts of \$6,836 established. No further impairment loss is considered necessary.

**Notes to the Financial Statements (cont.)**

**10. Trade and other receivables (cont.)**

	Group	
	30/06/2011	30/06/2010
	\$	\$
<b>Non-current</b>		
Amount owed by controlled entities	0	0
Provision for impairment	0	0
	0	0

Terms and conditions relating to the above financial instruments:

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

**10.2 Past due but not impaired trade receivables**

As at 30 June 2011, trade receivables of \$58,182 (2010, \$42,858) were past due but not impaired. These relate to a number of recent accounts where there is no recent history of default.

	Group	
	30/06/2011	30/06/2010
	\$	\$
Past due 0-30 days	28,176	16,626
Past due 31-90 days	0	3,457
Past due over 91 days	30,006	22,775
	58,182	42,858
<b>Movement in the provision for doubtful debts</b>		
Balance at the beginning of the year	(13,488)	(51,000)
Amounts recovered during the year	0	45,616
Decrease in provision attributable to new sales	6,652	(8,104)
Balance at the end of the year	(6,836)	(13,488)

**11. Other Current Assets**

Sundry debtors	5,864	5,624
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Sundry Debtors of \$5,864 comprises prepayments of \$5,864.

**12. Other Financial Assets**

**Non-current**

Shares in unlisted controlled entities	0	0
Provision for impairment	0	0
	0	0

**Notes to the Financial Statements (cont.)**

**12. Other Financial Assets (cont.)**

Unlisted Controlled Entity	Date of Acquisition	Country of Incorporation	Class of Shares	Cost of Parent Entities Investment
				30/06/2011
				\$
MGM Wireless Holdings Pty Ltd	8/10/2003	Australia	Ordinary	767,000
Message You LLC	11/09/2006	USA	Ordinary	124,440
MGM Wireless (NZ) Pty Ltd	18/05/2010	Australia	Ordinary	80
				<b>891,520</b>

The equity holding in all companies is 100%

**13 Plant, Equipment and Leasehold Improvements**

**13.1 Plant, equipment and leasehold improvements**

**Plant and equipment**

At cost

Accumulated depreciation and impairment

Total plant and equipment

**Leasehold improvements**

At cost

Accumulated amortisation and impairment

Total leasehold improvements

**Total plant, equipment and leasehold improvements**

At cost

Accumulated depreciation and impairment

Written down value

	Group	
	30/06/2011	30/06/2010
	\$	\$
At cost	248,393	216,646
Accumulated depreciation and impairment	(170,244)	(151,745)
<b>Total plant and equipment</b>	<b>78,149</b>	<b>64,901</b>
<b>Leasehold improvements</b>		
At cost	124,582	124,822
Accumulated amortisation and impairment	(51,037)	(42,839)
<b>Total leasehold improvements</b>	<b>73,545</b>	<b>81,983</b>
<b>Total plant, equipment and leasehold improvements</b>		
At cost	372,975	341,468
Accumulated depreciation and impairment	(221,281)	(194,584)
<b>Written down value</b>	<b>151,694</b>	<b>146,884</b>

**Notes to the Financial Statements (cont.)**

**13. Plant, Equipment and Leasehold Improvements (cont.)**

**13.1 Plant, equipment and leasehold improvements (cont.)**

	Plant and Equipment \$	Leasehold Improvements \$	Total \$
Balance at 30 June 2009	213,465	124,822	338,287
Additions	3,182		3,182
Disposals			0
Balance at 30 June 2010	216,647	124,822	341,469
Additions	31,507		31,507
Disposals			0
Balance at 30 June 2011	248,154	124,822	372,976
<b>Accumulated depreciation and impairment</b>			
Balance at 30 June 2009	(134,974)	(33,730)	(168,704)
Amortisation/Depreciation expense	(16,772)	(9,109)	(25,881)
Eliminated on disposal of assets			0
Balance at 30 June 2010	(151,746)	(42,839)	(194,585)
Amortisation/Depreciation expense	(18,499)	(8,198)	(26,697)
Eliminated on disposal of assets			0
Balance at 30 June 2011	(170,245)	(51,037)	(221,282)
Comparative figures have been altered to reflect a reclassification of assets.		<b>Written Down Value</b>	<b>151,694</b>

**13.2 Impairment losses recognised in the year**

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

Plant and Equipment	5 years
Leasehold Improvements	10 years

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

**14. Intangible Assets**

	Group	
	30/06/2011 \$	30/06/2010 \$
At cost	2,528,003	2,332,858
Accumulated depreciation and impairment	(1,464,763)	(1,238,337)
Balance at 30 June 2011	1,063,240	1,094,521

**Notes to the Financial Statements (cont.)**

**14. Intangible Assets (cont.)**

	Intellectual Property Message You \$	Distribution Rights \$	Intellectual Property Software \$	Total \$
<b>Cost</b>				
Balance at 30 June 2009	766,000	180,000	812,486	1,758,486
Additions from internal developments		353,902	220,470	574,372
Balance at 30 June 2010	766,000	533,902	1,032,956	2,332,858
Additions from internal developments		0	195,145	195,145
Balance at 30 June 2011	766,000	533,902	1,228,101	2,528,003
<b>Accumulated amortisation and impairment</b>				
Balance at 30 June 2009	(766,000)	(56,885)	(216,955)	(1,039,840)
Amortisation		(36,000)	(162,497)	(198,497)
Balance at 30 June 2010	(766,000)	(92,885)	(379,452)	(1,238,337)
Amortisation		0	(226,426)	(226,426)
Balance at 30 June 2011	(766,000)	(92,885)	(605,878)	(1,464,763)
Carrying Value	0	441,017	622,223	1,063,240

Other than 'Distribution Rights', the remaining value of Intangible assets have finite useful lives considered to be 5 years. The current amortisation charges for these intangible assets are included under depreciation and amortisation expense in the Statement of Comprehensive Income. The useful life of intangible assets and impairment considerations of intangibles are subject to management estimates and judgements as discussed in Note 4.2.

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

**15. Trade and Other Payables**

	Group	
	30/06/2011 \$	30/06/2010 \$
Trade creditors and accruals:		
Other corporations	331,882	664,458
Directors and director related entities	40,308	40,308
Tax liability	171,028	284,262
Accrued SMS charges	172,802	142,946
Unearned revenue - licence fees	172,928	268,806
Share subscription monies held in trust	0	0
	<b>888,948</b>	<b>1,400,779</b>

Terms and conditions relating to the above financial instruments:

- Trade creditors and accrued charges are non-interest bearing and normally settled on terms between 30-180 days.
- Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.
- Unearned or deferred revenue represents annual license fees charged under purchase contracts. (Refer note 3.4)
- Share subscription monies held in trust represents fund received at balance date for a placement of securities completed subsequent to balance date.



**Notes to the Financial Statements (cont.)**

**18. Issued capital (cont.)**

**18.3 Share options**

At 30 June 2011 there were options over 14,183,334 (2010, 30,595,047) ordinary shares of the Company.

Details of these options and movement since 30 June 2010 follow:

Expiry Date	Exercise Price	Number	Expired	New	Closing
30/11/2010	20.0c each	14,103,380	(14,103,380)		0
31/12/2010	20.0c each	5,100,000	(5,100,000)		0
30/01/2011	22.0c each	6,500,000	(6,500,000)		0
15/11/2010	6.0c each	1,208,333	(1,208,333)		0
15/11/2011	8.0c each	683,334			683,334
7/11/2011	2.0c each	1,000,000			1,000,000
15/04/2012	2.0c each	2,000,000			2,000,000
30/04/2013	2.0c each			10,500,000	10,500,000
		30,595,047	(26,911,713)	10,500,000	14,183,334

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

Further details of the employee share option plan are provided in Note 23.

**19. Reserves**

Option issue reserve

Foreign currency translation reserve

	Group	
	30/06/2011	30/06/2010
	\$	\$
Option issue reserve	176,891	135,856
Foreign currency translation reserve	4,667	312
	<b>181,558</b>	<b>136,168</b>
	<b>Option Issue Reserve</b>	<b>Foreign Translation</b>
Balance as at 30 June 2009	135,856	(1,983)
Movement in foreign currency translation reserve		2,295
Balance as at 30 June 2010	135,856	312
Options issued	41,035	
Movement in foreign currency translation reserve		4,355
Balance as at 30 June 2011	<b>176,891</b>	<b>4,667</b>

*Nature and purpose of reserve*

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

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

**Notes to the Financial Statements (cont.)**

	30/06/2011	Group 30/06/2010
	\$	\$
<b>20. Retained earnings</b>		
Retained Earnings/(Accumulated losses)	(6,590,397)	(6,801,427)
Balance at the beginning of the year	(6,801,427)	(7,004,412)
Net profit / (loss) attributable to members	256,944	202,985
Share Issue Costs prior year transferred	(3,949)	
Balance at the end of the year	(6,548,432)	(6,801,427)

**21. Dividends**

No dividends have been declared in relation to the year ended 30 June 2011 (2010, \$nil).

**22. Financial instruments**

**22.1 Capital risk management**

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the group can fund its operations and continue as a going concern.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the group since the prior year.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

**22.2 Gearing ratio**

The gearing ratio at end of the period was as follows.

	30/06/2011	Group 30/06/2010
	\$	\$
Debt	313,080	300,000
Cash and bank balances	(107,975)	(223,583)
Net Debt	205,105	76,417
Equity	647,902	199,404
Net debt to equity ratio	31.7%	38.3%

Total debt of \$300,000 relates to secured loans from directors that are repayable in accordance with the terms and conditions as set out in note 25.5. The balance of \$13,080 relates to financing of ICT equipment.

**Notes to the Financial Statements (cont.)**

**22. Financial instruments (cont.)**

**22.2 Financial risk management**

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group does not speculate in the trading of derivative instruments. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

*Interest rate risk*

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	<b>Group</b>	
	<b>30/06/2011</b>	<b>30/06/2010</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents (interest-bearing accounts)	107,975	223,583
Net exposure	<b>107,975</b>	<b>223,583</b>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. Whilst the Australian economy continues to grow at rates above other comparable economies the RBA is said to be concerned by the effects of increasing commodity prices on its ability to maintain activity within its defined financial parameters. It will also need to remain cognisant of the continuing GFC effect on Australia's partners and business confidence. General business expectations is for interest rates to increase by 75 basis points over the ensuing 12 month financial period.

If interest rates as at 30 June 2011 had moved in line with the above expectation, the table below illustrates, all other variables held constant, the effect on post tax profit and equity of the change in cost relevant to the financial assets of the Group.

	<b>Group</b>	
	<b>30/06/2011</b>	<b>30/06/2010</b>
	<b>\$</b>	<b>\$</b>
Post tax profit - higher/ (lower)		
0.75%	3,469	1,676
-0.75%	-3,469	-1,676
Equity – higher / (lower)		
0.75%	3,469	1,676
-0.75%	-3,469	-1,676

**Notes to the Financial Statements (cont.)**

**22. Financial instruments (cont.)**

*Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by;

- monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained,
- continuously monitoring forecast and actual cash flows, and
- matching the maturity profiles of financial assets and liabilities based on management's expectations.

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows within the 2011 financial period.

	<b>30/06/2011</b>
Financial assets	<b>\$</b>
Cash & cash equivalents	<b>107,975</b>
Trade and other receivables	<b>602,361</b>
	<b>710,336</b>
Financial liabilities	
Trade & other payables	<b>544,992</b>
Accrued SMS charges	<b>172,928</b>
Tax liability	<b>171,029</b>
	<b>888,948</b>
Net Maturity	<b>(178,612)</b>

*Credit risk*

Credit risk arises from the financial assets of the Company, which comprise deposits with banks and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Statement of Financial Position represents the Company's maximum exposure to credit risk in relation to those assets.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts. Trade and other receivables are expected to have a maturity of less than 6 months, for both year-ends.

There are no significant concentrations of credit risk within the Company.

*Foreign currency risk*

As a result of operations in the USA, being denominated in USD, and operations in New Zealand being denominated in NZD the Group's balance sheet can be affected by movements in the respective AUD exchange rates. The Company does not hedge this exposure.

In the reporting period the Group's volume of transactions in both USD and NZ currency was low resulting in a total foreign translation amount of \$4,355. This amount was transferred to foreign currency translation reserve and deemed immaterial for the year ended 30 June 2011.

**Notes to the Financial Statements (cont.)**

**22. Financial instruments (cont.)**

*Foreign currency risk (cont.)*

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in USD and NZD, to meet current operational commitments.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

*Commodity price risk*

The Group's exposure to price risk is minimal given the nature of the Group's operations.

*Fair value*

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

**23. Share-based payments**

**23.1 Employee share option plan**

The Group has an ownership-based compensation plan for executives and senior employees. In accordance with the terms of the plan executives and senior employees may be granted option to purchase ordinary shares. Each share option converts into one ordinary share of MGM Wireless Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of their vesting to the date of their expiry.

**23.2 Fair Value of share options granted during year**

	<b>M Fortunatow</b>	<b>M Hurd</b>	<b>J Dawkins</b>	<b>S Collopy</b>
<b>Issue date</b>	2/12/2010	2/12/2010	2/12/2010	2/12/2010
<b>Number</b>	5,000,000	3,500,000	1,000,000	1,000,000
<b>Expiry date</b>	30/04/2013	30/04/2013	30/04/2013	30/04/2013
<b>Issue Price</b>	2 cents	2 cents	2 cents	2 cents
<b>Volatility</b>	161%	161%	161%	161%
<b>Interest rate</b>	6%	6%	6%	6%
<b>Share value at grant of option</b>	0.8 cents	0.8 cents	0.8 cents	0.8 cents
<b>Discount for lack of marketability</b>	30%	30%	30%	30%
<b>Value</b>	<b>19,540</b>	<b>13,678</b>	<b>3,908</b>	<b>3,908</b>
	<b>Total</b>	<b>41,034</b>		

**Notes to the Financial Statements (cont.)**

**24. Related party transactions**

**24.1 Subsidiaries**

The consolidated financial statements include the financial statements of MGM Wireless Ltd and the subsidiaries are listed in the table in Note 12.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 12.

**24.2 Parent entity disclosure**

MGM Wireless Ltd is the ultimate Australian parent entity and the ultimate parent of the Group.

The following is financial information about the parent entity required by Regulation 2M.3.01 of the *Corporations Act 2001*.

**Financial position**

	30/06/2011	30/06/2010
	\$	\$
<b>Assets</b>		
Current assets	250	237
Non-current assets	7,530,574	7,560,282
<b>Total assets</b>	<b>7,530,824</b>	<b>7,560,519</b>
<b>Liabilities</b>		
Current liabilities	313,080	560,000
Non-current liabilities	0	0
<b>Total liabilities</b>	<b>313,080</b>	<b>560,000</b>
<b>Net assets</b>	<b>7,217,744</b>	<b>7,000,519</b>
<b>Equity</b>		
Issued capital	7,030,888	6,864,663
Reserves		
Other - option issue reserve	186,856	135,856
<b>Total equity</b>	<b>7,217,744</b>	<b>7,000,519</b>

**Financial performance**

	Year Ended	Year Ended
	\$	\$
Profit for the year	0	0
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>

**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

The parent entity has entered into a cross - guarantee in relation to the server - chattel mortgage entered into by MGM Wireless Holdings Pty Ltd; details of which are set out in Note 27.

**Notes to the Financial Statements (cont.)**

**24. Related party transactions**

**24.2 Key management personnel**

Disclosures relating to key management personnel are set out in Note 25.

**24.3 Other equity interests**

There are no equity interests in associates, joint ventures or other related parties.

**24.4 Transactions with related parties**

Transactions with related parties are made in arms-length transactions both at normal commercial rates and at normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash except as detailed in note 25.5 below.

MGM Wireless Ltd has provided unsecured, interest free loans to its controlled entities. An impairment assessment is undertaken each financial year by examining the financial position of the controlled entity and the market in which the controlled entity operates to determine whether there is objective evidence that the controlled entity is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

There are no other related party loans.

**25. Director and executive disclosures**

**25.1 Details of key management personnel**

**Directors**

Mark Fortunatow - Executive Chairman

Mark Hurd - Executive Director - Chief Technical Officer

John Dawkins - Director ( Non-executive) - (Resigned 8 March 2011)

Shaun Collopy - Director ( Non-executive)

**Executives**

Chris Peirce - CFO & Company Secretary

**Notes to the Financial Statements (cont.)**

**25. Director and executive disclosures ( cont.)**

**25.2 Compensation of key management personnel**

	30/06/2011	Group 30/06/2010
	\$	\$
Short-term	476,542	486,893
Post Employment	30,128	29,106
Other Long-Term	41,034	0
Termination Benefits	0	0
Share-based payment	8,000	52,800
	<b>555,704</b>	<b>568,799</b>

MGM Wireless Ltd has applied the option under Corporations Amendments Regulation 2006 to transfer key management personnel remuneration disclosures required by AASB124 Related Party Disclosures para Aus 25.4-25.7 to the Remuneration Report section of the Director's Report. These transferred disclosures have been audited.

**25.3 Option holdings of key management personnel**

	M Fortunatow Expiring 31/01/2011; ex price 22c	M Fortunatow Expiring 31/01/2013; ex price 2c	M Hurd Expiring 31/01/2011; ex price 22c	M Hurd Expiring 31/01/2013; ex price 2c
Balance 01/07/09	4,000,000	0	2,500,000	0
Granted as remuneration				
Options exercised				
Net change other				
Balance 30/06/10	4,000,000	0	2,500,000	0
Vested and exercisable 30/06/10	4,000,000	0	2,500,000	0
Balance 01/07/10	4,000,000	0	2,500,000	0
Granted as remuneration		5,000,000		3,500,000
Options exercised				
Net change other	(4,000,000)		(2,500,000)	
Balance 30/06/10	0	5,000,000	0	3,500,000
Vested and exercisable 30/06/11	0	5,000,000	0	3,500,000
	J Dawkins Expiring 30/04/2013: ex price 2c		S Collopy Expiring 15/4/2012; ex price 2c	S Collopy Expiring 30/04/2013: ex price 2c
Balance 01/07/09	0		0	0
Granted as remuneration			2,000,000	
Options exercised				
Net change other				
Balance 30/06/10	0		2,000,000	0
Vested and exercisable 30/06/10	0		2,000,000	0
Balance 01/07/10	0		2,000,000	0
Granted as remuneration	1,000,000			1,000,000
Options exercised				
Net change other				
Balance 30/06/11	1,000,000		2,000,000	1,000,000
Vested and exercisable 30/06/11	1,000,000		2,000,000	1,000,000

**Notes to the Financial Statements (cont.)**

**25. Director and executive disclosures ( cont.)**

**25.3 Compensation of key management personnel (cont.)**

<b>Executive:</b>	<b>N Bassett Expiring 31/01/2010; ex price 7c</b>	<b>C Peirce Expiring 7/11/11; ex price price 7c</b>
Balance 01/07/09	300,000	0
Granted as remuneration		1,000,000
Options exercised		
Net change other	(300,000)	
Balance 30/06/10	<u>0</u>	<u>1,000,000</u>
<b>Vested and exercisable 30/06/10</b>	<b>0</b>	<b>1,000,000</b>
Balance 01/07/10	0	1,000,000
Granted as remuneration		
Options exercised		
Net change other		
Balance 30/06/10	<u>0</u>	<u>1,000,000</u>
Vested and exercisable 30/06/10	<u>0</u>	<u>1,000,000</u>

**25.4 Share holdings of key management personnel**

**Directors**

	<b>M Fortunatow</b>	<b>M Hurd</b>	<b>J Dawkins</b>
Balance 01/07/09	39,085,903	15,142,500	550,000
Granted as remuneration			
Options exercised			
Net change other	(500,000)		
Balance 30/06/10	<u>38,585,903</u>	<u>15,142,500</u>	<u>550,000</u>
Vested and exercisable 30/06/10	38,585,903	15,142,500	550,000
Balance 01/07/010	38,585,903	15,142,500	550,000
Granted as remuneration			
Options exercised			
Net change other	1,600,000	1,000,000	600,000
Balance 30/06/11	<u>40,185,903</u>	<u>16,142,500</u>	<u>1,150,000</u>
Vested and exercisable 30/06/11	<b>40,185,903</b>	<b>16,142,500</b>	<b>1,150,000</b>

**Notes to the Financial Statements (cont.)**

**25. Director and executive disclosures (cont.)**

**25.4 Share holdings of key management personnel (cont.)**

	Director S Collopy	Executive N Basset	Executive C Peirce
Balance 01/07/09	0	850,000	0
Purchased prior to becoming a director	555,555		
Granted as remuneration	1,000,000		500,000
Options exercised			
Net change other			
Balance 30/06/10	<u>1,555,555</u>	<u>850,000</u>	<u>500,000</u>
Vested and exercisable 30/06/10	1,555,555	850,000	500,000
Balance 01/07/10	1,555,555	850,000	500,000
Granted as remuneration			1,000,000
Options exercised			
Net change other	100,000		200,000
Balance 30/06/11	<u>1,655,555</u>	<u>850,000</u>	<u>1,700,000</u>
Vested and exercisable 30/06/11	1,655,555	850,000	1,700,000

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arms length.

**25.5 Loans with key management personnel**

There were no loans to key management personnel or their related entities during the current or previous financial year.

In the 2009 financial year Mr Fortunatow and Mr Hurd each advanced the Group the sum of \$150,000. The loans bear interest at a variable rate equivalent to the repayments made by Messrs Fortunatow and Hurd on their personal facilities used to fund the loans. Interest paid in relation to the loans was \$31,912, (2010, \$18,345).

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.

**Notes to the Financial Statements (cont.)**

**26 Operating lease arrangements**

*Office leasing arrangements*

Operating leases relate to the lease of office premises in Rose Park with lease terms of 3 years for one tenancy and 5 years for the other (with a right to terminate after 3 years). All operating lease contracts contain annual market rental reviews. The Group does not have an option to purchase the leased offices at the end of the lease.

	Group	
	30/06/2011 \$	30/06/2010 \$
Payments recognised as an expense	73,291	75,818
Payments due under operating leases:		
Not later than one year	76,827	81,600
Later than one year and not later than 5 years	125,346	198,368
	<b>202,173</b>	279,968
Present value of payments	<b>186,705</b>	254,688

No liabilities have been recognised in respect of non-cancellable operating leases.

**27. Commitments for expenditure**

**Lease commitments**

Non-cancellable operating lease commitments are disclosed in note 26 to the financial statements.

**Capital expenditure and finance lease commitments**

At the previous year end a contract was in the process of being finalised to install a new server, financed by a chattel mortgage. No payment were made in relation to the finance prior to year end, nor was the server installed ready for use by then.

	Group	
	30/06/2011 \$	30/06/2010 \$
Capital expenditure commitment	13,080	27,500
Associated payments under chattel mortgage		
Not later than one year	13,932	17,356
Later than one year and not later than 5 years	0	13,932
	<b>13,932</b>	31,288
Future finance charges	<b>852</b>	3,788
	<b>13,080</b>	27,500
Present value of payments	<b>14,221</b>	29,463

The chattel mortgage is secured by a specific charge over the equipment.

**Notes to the Financial Statements (cont.)****28 Remuneration of auditors**

Audit and review of financial statements of Group by:

- Ian G McDonald
- RSM Bird Cameron

	Group	
	30/06/2011	30/06/2010
	\$	\$
	13,940	8,000
	0	32,200
	<u>13,940</u>	<u>40,200</u>

The auditor is Ian G. McDonald. The previous auditor was RSM Bird Cameron. No other services have been provided by either auditor in the 2009 - 2010 years.

**29 Company details**

The registered office and principal place of business of the Company is:

Suite 13 The Parks  
154 Fullarton Road  
Rose Park SA 5067

**30 Approval of Financial Statements**

The financial statements were approved by the board of directors and authorised for issue on September 2011.

**Additional Stock Exchange Information as at 29 August 2011**

*Ordinary share capital*

**Number of holders**

*Distribution of listed shareholders / option holders*

	<b>Ordinary Shares</b>
1-1000	4
1001-5000	48
5001-10000	61
10001-100000	250
100001 and over	235
<b>Total number of holders</b>	<b>598</b>
<b>Total on issue</b>	<b>239,766,768</b>
Holding less than a marketable parcel	327

All issued ordinary shares carry one vote per share. 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. Options do not carry a right to vote. All listed options have expired.

*Substantial shareholders*

	<b>Number</b>	<b>Percentage</b>
Mark Fortunatow	40,185,903	16.76%
Mark Edwin Hurd ,Mark Hurd Investment Account.	16,142,500	6.73%

*Twenty largest shareholders*

	<b>Number</b>	<b>Percentage</b>
M/S Paula Fortunatow <Fortunatow Family A/C>	24,951,228	10.41
Mark Edwin Hurd <Mark Hurd Investment A/C>	9,982,500	4.16
HEGM Investments Pty Ltd	8,452,000	3.53
Mr Lee Andrew Cousins + Mrs Alison Elizabeth Cousins	8,309,511	3.47
Yavern Creek Holdings Pty Ltd	7,010,000	2.92
Mr Mark Hurd <Mark Hurd Investment A/C>	6,160,000	2.57
Mr Ian James Cameron	5,500,000	2.29
Platinum Black Australia Pty Ltd <The 2White A/C>	5,000,000	2.09
Mr Francis George Heppingstone + Mrs Danielle Georgette Heppingstone <FG Heppingstone P/L S/F A/C>	4,800,000	2.00
Mr Mark Fortunatow <The A M & J M A/C>	4,470,124	1.86
Mr Mark Fortunatow + Mrs Paula Fortunatow <Fortunatow Family S/F A/C>	4,369,772	1.82
Mr Geoffrey Peter Ballard <Ballsup Fund A/C>	3,500,000	1.46
Mr Jeffrey Howard Latimer + Mrs Judith Ann Latimer <Latimer S/F A/C>	3,500,000	1.46
Mrs Paula Fortunatow <Fortunatow Family A/C>	3,400,000	1.42
Mr John Paech	3,359,804	1.40
Evcorp Australia Pty Ltd	3,000,000	1.25
HV Ross Pty Ltd	3,000,000	1.25
Mr Mark Ewen Waterman + Mrs Jeanette Suzanne Waterman <SMEW Super Fund A/C>	3,000,000	1.25
Mr Steve Mark Liebich + Mrs Nicole Kaye Liebich	2,700,000	1.13
Ronatac Pty Ltd <Master Carpets Hlding S/F A/C>	2,700,000	1.13
<b>Total</b>	<b>117,164,939</b>	<b>48.87%</b>

## MGM Wireless Ltd

### Additional Stock Exchange Information as at 29 August 2011

#### Unlisted options

##### Expiry date

##### Exercise price

Total Options Issued

Number of holders

Holders with more than 20%

- Chris Peirce
- Shaun Collopy
- Robin Hamon
- Ben Aird

##### Expiry date

##### Exercise price

Total Options Issued

Number of holders

Holders with more than 20%

- Mark Fortunatow
- Mark Hurd

	7/11/2011	15/11/2010	15/04/2012
	2 cents	8 cents	2 cents
Total Options Issued	1,000,000	683,334	2,000,000
Number of holders	1	2	1
Holders with more than 20%	1,000,000		2,000,000
		400,000	
		283,334	
			30/04/2013
			2 cents
Total Options Issued			10,500,000
Number of holders			4
Holders with more than 20%			5,000,000
			3,500,000

#### Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

#### On-market buy-back

Currently there is no on-market buyback of the Company's securities.

## MGM Wireless Ltd

### Additional Stock Exchange Information as at 29 August 2011

#### Company Secretary

Mr Chris Peirce

#### Registered Office and Principal Administration Office

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