MGM Wireless Ltd.
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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

February 28, 2020

28 February 2020 –Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') today reported results for 1H FY20. The results reflect the Company's continuing transformation towards becoming a successful Wearables business.

Key results 2020 first half : Six months ended 31 December *$ million unless otherwise specified*	**2019**	**2018**	**Change**
Total Revenue	**7.60**	**4.07**	**87%**
Wearables Revenue	**6.34**	**2.64**	**140%**
School Communication Business Revenue	**1.26**	**1.43**	**(12%)**
EBITDA*	**0.45**	**0.54**	**(17%)**
Net Loss	**(2.70)**	**(3.27)**	**17%**
Dividend per share (cents)	**-**	**-**	**-**
EBITDA margin*	**6%**	**13%**	**(55%)**
Net cash from operating activities	**(0.84)**	**0.05**	**(1780%)**
Cash balance	**5.04**	**2.40**	**110%**
Net cash/(debt)	**3.29**	**2.40**	**37%**
Earnings per share (basic) cents	**(2.1)**	**(2.8)**	**25%**
Contracted Schools & Early Learning Centres	**1,234**	**1,345**	**(8%)**
SPACETALK Smartwatches Units Sold	**25,000**	**11,000**	**127%**

*(before share and option expenses)

1H FY20 Highlights

- The SPACETALK smartphone, watch and GPS device continued to deliver strong growth and industry-wide acceptance
- Wearables sales increased 140% as the strong demand for the SPACETALK continued
- Wearables now generates more than four times school products revenue, and maintains a strong short, medium and long-term growth opportunity
- Wearables sales for the first half already in excess of sales for the FY19 full year
- Launch in the UK and successful Christmas marketing has consolidated a strong position for SPACETALK, with initial sales well in excess of Australian sales at the same time post-launch
- Greater geographic distribution with new agreements in Australia, New Zealand and in the UK
- Increased marketing support from distribution partners
- Product improvement continuing with increasing simplicity, ease of use and greater range of features
- Managed costs effectively despite high growth rate and geographic expansion to report EBITDA $0.45 million
- Ongoing strong momentum and pipeline of potential further agreements with retail stores and mobile network operators

Appendix 4D
MGM WIRELESS LIMITED
ABN 93 091 351 530

Half-Year Report
31 December 2019
(Previous corresponding period: 31 December 2018)

Results for announcement to the market

Financial Results	**Percentage change from corresponding period %**	**Amount change from corresponding period $**	**6 months ended 31/12/2019 $**
Revenue from ordinary activities	87%	3,527,894	7,601,633
Loss from ordinary activities after tax attributable to members	17%	567,730	(2,705,423)
Net profit for the period attributable to members	17%	567,730	(2,705,423)

Dividends declared	**Amount per security**	**Franked amount per security**
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil
No dividends have been declared		
Record date for determining entitlements to the interim dividends	N/A	N/A
Record date for determining entitlements to the final dividends	N/A	N/A

Net Tangible Asset Backing	**31 December 2019 (cents per share)**	**31 December 2018 (cents per share)**
Net tangible asset backing per ordinary security	7.95	4.66

Other explanatory notes
N/A

Control gained or lost over entities during the period	
Name of entity	N/A
Date of gaining/losing control	N/A

Dividends or distributions paid to shareholders	N/A
Dividends or distributions reinvestment plan details	N/A
Joint venture and associate details	N/A

MGM Wireless Limited

ABN 93 091 351 530

Half-Year Report
31-Dec-19

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Half – Year Ended 31 December 2019

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	Ian G Mc Donald FCA Telephone: 0419 620 906
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 Code	MWR ordinary fully paid shares

Directors' Report

The Directors of MGM Wireless Limited submit herewith the financial report of MGM Wireless Limited and its subsidiaries (the Group) for the half year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the Company that held office during and since the end of the half-year (unless otherwise stated) are:

Name

Mr. Mark Fortunatow

Ms. Leila Henderson

Mr. Glen Butler

Review of Operations

The directors of MGM Wireless Ltd are pleased to report the Company's financial results for the half year to 31 December 2019.[1]

Operational Highlights

- Total distribution in Australia and New Zealand nearly tripled from 270 stores to 777 stores at 31 December 2019.
- We expanded distribution of SPACETALK in New Zealand through Noel Leeming, Harvey Norman and JB Hi-Fi, adding a further 118 stores to master distributor SPARK's 71 stores and increasing retail distribution to 189 stores.
- Officeworks agreed to sell SPACETALK, adding distribution through Officeworks' 167 retail stores across Australia.
- Leading Australian home appliances and consumer electronics brand, The Good Guys, began selling SPACETALK through its website and 105 retail stores.
- We signed an agreement with Sky, Europe's leading media, entertainment and communications company, which began selling SPACETALK through Sky Mobile on a 36 month, £10 per month plan. This agreement was updated in December 2019, granting Sky UK telco exclusivity until 30 September 2020, in exchange for a £1 million marketing commitment and achieving performance criteria.
- In December 2019, we signed an agreement with Dixons Carphone's Currys PCWorld commencing online sales in the UK.
- We completed an extensive Christmas marketing campaign with significant investment by retail partners including television, radio, in-plane, floor displays, store signage, promotion in catalogues and electronic mailers, and social media in Australia, New Zealand and the UK.
- A detailed model quantified the value that SPACETALK brings for telecommunications companies, strengthening negotiations with mobile network operators (MNOs).
- We exhibited at the Berlin IFA consumer electronics show, a leading trade show for

[1] Unless indicated otherwise, all figures compare 1H FY2020 with 1H FY2019.

consumer electronics, receiving strong interest from bricks and mortar stores and international MNOs.

- A US trademark was secured for SPACETALK, a key pre-requisite for establishing a potential US expansion.
- Our ongoing improvement of SPACETALK and the AllMyTribe app included significant new features and optimisation including the ability to change SPACETALK's phone number, reset passwords, restore backups, share the AllMyTribe app with other AllMyTribe app users, and many other benefits as well as better battery management and reception.
- Development of a seniors' watch based on the underlying technology behind SPACETALK and the next-generation SPACETALK 2 is progressing well.

Financial Highlights

- Total revenue for the first half exceeded revenue for the entire 2019 financial year.
- Wearable SPACETALK revenues increased 140% from $2.64 million to $6.34 million.
- Wearable revenues in Australia and New Zealand grew 94% on the pcp while UK sales added a further 46% growth to overall SPACETALK revenues
- AllMyTribe app recurring revenue reached $109,000 in December 2019, up 30% on the preceding month.
- AllMyTribe app revenue for the half increased 632% to $0.5 million.
- A successful capital raising, completed in September 2019, raised $5.5 million before costs and was cornerstoned by a number of institutional and sophisticated investors.
- The schools business continued to deliver stable, steady profit performance with good margins and strong positive cash flow.
- Earnings before interest, tax, depreciation and amortisation were $0.45 million, notwithstanding the Company's dynamic growth and UK market entry costs.
- We reported a net loss after tax of $2.7 million which includes non-cash expenses of $2.4 million option and share issue costs and $1.2 million in amortisation and depreciation.
- Our cash balance at year end was $5.0m.

SPACETALK Business

This was a strong result, with revenue for the half exceeding revenue for the full FY19 financial year. Distribution through retail stores trebled year on year, and the Christmas season was very successful with substantial promotion funded by partners to build awareness of the SPACETALK all-in-one children's smartphone, watch and GPS device.

SPACETALK wearables revenue more than doubled to $6.34 million, up 140% from $2.64 million in 1H FY19, when SPACETALK was distributed only in Australia and New Zealand.

Australia and New Zealand SPACETALK revenue increased 94% to $5.12 million in the first half, and distribution increased to 777 stores in 1H FY20, compared with 270 stores a year ago. During 1H FY20, the Company entered new bricks and mortar store agreements with Officeworks in September 2019 and The Good Guys in November 2019 and extended distribution in New Zealand.

SPACETALK reported UK first half revenues of $1.22 million, 388% more than the first six months of Australian rollout. The Company entered the UK market through the SPACETALK.co.uk e-commerce store, and in August 2019 signed an agreement with Sky, Europe's leading media, entertainment and telecommunications company.

The Sky exclusivity agreement was updated in December 2019, enabling an aggressive marketing campaign which drove higher market awareness of SPACETALK in the UK. The Company also extended UK distribution through Dixons Carphone's Currys PCWorld online.

The Company has maintained a fast growth trajectory with strong wearables sales, capitalising on the growth of the exciting new wearables industry. During the half, advertising and promotions raised the profile of SPACETALK, significantly increasing brand awareness.

Negotiations with mobile network operators and bricks and mortar retailers are ongoing. SPACETALK continues to lead the market, with unmatched security, build quality and features, backed by the experience of providing communication services to schools and parents for nearly twenty years.

Gartner, the leading research and advisory company for the technology sector, predicts global spending on wearable devices will reach US$52 billion in 2020, supporting our view that children's wearable mobile phone devices will continue to be a high growth sector during the next decade. The wearables sector is one of the highest growing consumer categories globally.

School Business

MGM Wireless is the largest provider of messaging communication solutions to Australian schools, with 1200 contracted schools. Schools communication service revenue of $1.3 million was 12% less than the pcp, reflecting a change in the billing cycle of a large state government education department contract.

A new contract was signed with the Western Australia Department of Education on 25 February 2020 to supply MGM student absence and school emergency messaging services to all WA government schools. The contract is valued at $1.3 million over two years, which can be extended for a further two years, and replaces the previous contract.

Financial Overview

Gross profit more than doubled to $5.1 million as sales of SPACETALK maintained a strong growth trajectory. Gross profit margins remained robust at 67%, although less than in the pcp when a greater proportion of revenue came from the school communication service with very low marginal costs.

Operating costs were $4.7 million, up from $2.4 million, reflecting increased scale and UK market entry. Corporate and administrative expenses rose to $2.0 million from $0.9 million, including higher shipping costs, royalties, product warrantees and commissions.

Advertising costs increased to $1.2 million from $0.8 million, with a much greater share of advertising and promotion undertaken by partners. These included promotions over the most important shopping days leading up to Christmas and television advertising in Australia and the UK.

Employee costs were $1.4 million, up from $0.7 million. The Company has significantly strengthened its team, with senior appointments including a director of marketing and sales and strengthened human relations, sales, marketing and product development management.

At 31 December 2019, the Company employed 39 staff in Australia/New Zealand and 4 in the

UK.

EBITDA was $0.45 million, below $0.55 million in the pcp.

Significant once-off non-cash expenses included options and share issue costs of $2.4 million, down from $3.4 million, and depreciation and amortisation of $1.2 million, up from $0.8 million.

At 31 December 2019 the group held cash of $5.0 million and had a strong balance sheet. The Company has $1.75 million debt associated with a $2 million convertible note which helped fund expansion into the UK.

Changes in the state of affairs

During the half year ended 31 December 2019 there was no significant change in the Group's state of affairs other than that referred to in the half-year financial statement or notes thereto.

Dividends

No Dividends have been declared during the half year ended 31 December 2019 (2018 half-year: $nil). No Dividends relating to the year ended 30 June 2019 were paid during the half year ended 31 December 2019 (2018 half-year: $nil).

Auditor's Independence Declaration

The auditor's independence declaration for the half-year report ended 31 December 2019 has been received and is included on page 7.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Mark Fortunatow

Executive Chairman

Rose Park, 28 February 2019

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Auditor's Independence Declaration

To the Directors of MGM Wireless Ltd

As lead auditor for the review of the financial report of MGM Wireless Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
ii. any applicable code of professional conduct in relation to the review.

Ian G McDonald FCA
Chartered Accountant

Dated in Adelaide on 17 February 2020

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Independent Auditor's Review Report
To the Directors of MGM Wireless Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half year consolidated financial report of MGM Wireless Ltd (`the company'), which comprises the condensed balance sheet as at 31 December 2019, condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes to the financial statements, other selected explanatory notes and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes me believe that the half-year consolidated financial report of MGM Wireless Ltd is not in accordance with the Corporations Act 2001 including:

a. giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, We have become aware of any matter that makes me believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the company, ASRE 2410 requires that We comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting the review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company on the 17 February 2020, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Ian McDonald

Ian G McDonald FCA
Chartered Accountant
Dated in Adelaide on 27 February 2020

Directors Declaration

The directors 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; and

(b) in the directors' opinion, the attached consolidated 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001.*

On behalf of the Directors,

Mark Fortunatow
Executive Chairman
Rose Park

Consolidated statement of profit or loss and other comprehensive Income for the half-year ended 31 December 2019

	Notes	Consolidated Group Half- Year Ended 31/12/2019 $	31/12/2018 $
Revenue		7,601,633	4,073,739
Cost of sales		(2,496,606)	(1,122,261)
Gross Profit		5,105,027	2,951,478
Interest expense		(49,991)	-
Amortisation & depreciation		(1,171,691)	(846,568)
Consulting fees		-	(31,811)
Issue of options	4	(2,389,964)	(3,358,169)
Corporate and administration		(2,068,867)	(915,221)
Advertising and marketing		(1,209,553)	(781,439)
Employee costs		(1,430,516)	(645,319)
(Loss)/ Gain on foreign exchange		58,100	(31,596)
(Loss)/ profit before tax		(3,157,455)	(3,658,645)
Income tax benefit		452,032	385,492
Net profit for the period attributable to owners of the Company		(2,705,423)	(3,273,153)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		4,030	17,794
Other comprehensive income for the period (net of tax)		4,030	17,794
Total comprehensive income for the period attributable to owners of the Company		(2,701,393)	(3,255,359)
Earnings per share			
Basic (cents per share)		(2.1)	(2.8)
Diluted (cents per share)		(2.0)	(2.6)

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

Consolidated statement of financial position as at 31 December 2019

	Notes	Consolidated Group As at 31/12/2019 $	30/06/2019 $
ASSETS			
Current Assets			
Cash and cash equivalents		5,040,114	1,635,872
Trade and other receivables		4,161,662	813,863
Inventories		685,273	1,241,938
Other current assets		938,560	1,000,700
Total Current Assets		10,825,609	4,692,373
Non-Current Assets			
Property, plant and equipment		436,905	187,983
Intangibles	6	2,992,477	2,786,541
Total Non-Current Assets		3,429,382	2,974,544
Total Assets		14,254,991	7,666,897
LIABILITIES			
Current Liabilities			
Trade and other payables		2,181,077	1,298,051
Provisions		310,349	307,349
Income tax liabilities		79,986	-
Borrowings		218,577	-
Total Current Liabilities		2,789,989	1,605,400
Non-Current Liabilities			
Borrowings		1,765,779	1,250,000
Deferred Tax Liabilities		6,499	6,499
Total Non-Current Liabilities		1,772,278	1,256,499
Total Liabilities		4,562,267	2,861,899
Net Assets		9,692,724	4,804,998
EQUITY			
Issued capital	3	16,007,751	10,806,726
Reserves		6,122,095	3,729,971
Accumulated losses		(12,437,122)	(9,731,699)
Total Equity		9,692,724	4,804,998

The above consolidated statement of financial position should be read in conjunction with the attached notes.

Consolidated statement of changes in equity for the half-year ended 31 December 2019

	Issued Capital	Accumulated Losses	Share based payment Reserve	Foreign Currency Translation Reserve	Total Equity
Consolidation	**$**	**$**	**$**	**$**	**$**
At 1 July 2018	**9,966,782**	**(5,043,020)**	**764,521**	**(29,009)**	**5,659,274**
Loss attributable to members	-	(3,273,153)	-	-	(3,273,153)
Currency translation differences	-	-	-	17,794	17,794
Total comprehensive income	-	(3,273,153)	-	17,794	(3,255,359)
Transaction with owners					
Contributions and distributions					
Shares issued	6,000	-	-	-	6,000
Options exercised	210,829	-	(108,235)	-	102,594
Options/rights issued	50,406	-	3,283,126	-	3,333,532
Transactions with owners	267,235	-	3,174,891	-	3,442,126
At 31 December 2018	**10,234,017**	**(8,316,173)**	**3,939,412**	**(11,215)**	**5,846,041**
At 1 July 2019	**10,806,726**	**(9,731,699)**	**3,756,515**	**(26,544)**	**4,804,998**
Loss attributable to members	-	(2,705,423)	-	-	(2,705,423)
Currency translation differences	-	-	-	4,030	4,030
Total comprehensive income	-	(2,705,423)	-	4,030	(2,701,393)
Transaction with owners					
Contributions and distributions					
Share issued	5,563,525	-	-	-	5,563,525
Options exercised	14,000	-	-	-	14,000
Cost of share issued	(378,370)	-	-	-	(378,370)
Options/rights issued	1,870	-	2,388,094	-	2,389,964
Transactions with owners	5,201,025	-	2,388,094	-	7,589,119
At 31 December 2019	**16,007,751**	**(12,437,122)**	**6,144,609**	**(22,514)**	**9,692,724**

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

Consolidated statement of cash flows for the half-year ended 31 December 2019

	Consolidated Group Half-Year Ended 31/12/2019 $	Consolidated Group Half-Year Ended 31/12/2018 $
Cash flows from operating activities		
Receipts from customers	4,315,464	3,585,256
Payments to suppliers and employees	(5,640,717)	(4,144,385)
Tax benefits	532,018	609,349
Interest and other costs of finance	(49,991)	-
Net cash provided by operating activities	(843,226)	50,220
Cash flows from investing activities		
Payments for plant and equipment	(33,450)	(33,675)
Payment for research and development	(1,264,286)	(940,442)
Net cash (used in)/provided by investing activities	(1,297,736)	(974,117)
Cash flows from financing activities		
Proceeds from issue of shares	5,500,003	-
Share issue costs	(378,371)	-
Options issued	14,000	153,000
Issue of convertible note	500,000	500,000
Payment of lease liabilities	(94,458)	-
Net cash (used in)/provided by financing activities	5,541,174	653,000
Net increase / decrease in cash held	3,400,212	(270,897)
Cash and cash equivalents at 1 July	1,635,872	2,649,810
Effect of exchange rate changes	4,030	17,795
Cash at the end of the year	5,040,114	2,396,708

The above consolidated consolidated statement of cash flows should be read in conjunction with the attached notes.

Notes to the Consolidated financial statements

Significant accounting policies

1.1 Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 '*Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting'*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1.2 Basis of preparation

The Consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the financial year ended 30 June 2019 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

1.3 Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting period (cont.)

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The classifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance on 1 July 2019.

The Group assesses whether a contract is or contains a lease, at the inception of the contract and recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The lease liabilities are presented within the borrowing line item in the Consolidated statement of financial position.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the property, plant and equipment line item in the Consolidated statement of financial position.

1.4 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this half year reporting period.

Reference	Title	Application
AASB 2028-6	Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
AASB 2019-1	Amendments to Australian Accounting Standards – Reference to the Conceptual Framework	1 January 2020

These amendments are not expected to have a material impact on the Group's financial position or its performance.

1.5 Critical accouting judgements and estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2019. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

The Group operates predominately in three business segments, defined by the Groups differenct product and service offerings.
The groups reportable segments under AASB 8 are therefore as follows:

- School messaging services
- Smart watches and apps
- Other

This is the basis by which management controls and reviews the operations of the Group. Segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance on the same basis. No operating segments have been aggregated in arriving at the reportable segments of the group.

The school messaging reportable segment provides school messaging services and licence fees to various schools

The smart watches and apps reportable segment supplies the 'Spacetalk' smartwatches and applications through retail distribution networks and online sales.

'Other' is the aggregation of the Group's other various sundry income and expenses.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

No operations were discontinued during the current financial year.

2.2 Segment revenues and results

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

	Segment revenue		Segment profit / (loss)	
	Half Year Ended		Half Year Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
School messaging services	1,235,686	1,416,353	(3,394,424)	(3,357,730)
Smart watches and apps	6,330,686	2,644,368	689,001	84,577
Other	35,261	13,018	-	-
Total for Continuing Operations	7,601,633	4,073,739		
(Loss) / profit after tax (continuing operations)			(2,705,423)	(3,273,153)

Segment revenue reported above represents revenue generated from external customers by each service or product. There were no inter-segment sales in the current year (2018: nil).

2.3 Segment assets and liabilities

Segment assets and liabilities

	Assets		Liabilities	
	As at		As at	
	31/12/2019	30/06/2019	31/12/2019	30/06/2019
School messaging services	5,065,713	3,462,357	1,856,906	1,328,599
Smart watches and apps	3,616,396	1,612,814	868,876	271,641
Total segment assets/ liabilities	8,682,109	5,075,171	2,725,782	1,600,240
Unallocated assets/ liabilities	5,572,882	2,591,726	1,836,485	1,261,659
Consolidated Assets	14,254,991	7,666,897		
Consolidated Liabilities			4,562,267	2,861,899

For the purpose of monitoring segment performance and alloacating resources between segments:

- All assets are allocated to reportable segments other than cash and R&D incentives.
- All liabilities are allocated to reportable segments other than deferred tax liabilities, current tax liabilities and borrowings.

2.4 Geographical Information

The Group's revenue from external customers by geographical location are detailed below:

Revenue by geography	Year Ended	
	31/12/2019	31/12/2018
Australia	6,376,790	4,071,123
United Kingdom	1,223,467	-
New Zealand	1,376	2,616
Total	7,601,633	4,073,739

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. All revenues in the United Kingdom relate to Spacetalkwatch sales.

3. Issues of equity securities

During the half-year the following fully paid ordinary shares were issued:

	Number of fully paid ordinary shares	Issued Capital $
Balance at 30 June 2019	12,514,500	10,806,726
Capital raising	1,617,648	5,121,633
Options exercised	10,000	14,000
Shares issued to contractors	12,000	63,522
Total shares before share split	14,154,148	16,005,881
Shares after share split	141,541,480	16,005,581
Employee retention rights issue on 18 December 2019	50,000	1,870
	141,591,480	16,007,751

During the half-year, on 3 December 2019, the share capital of the Company was split on a 10:1 basis. Before the share split, the Company issued 10,000 ordinary shares under the share option plan (2018: 130,000). 12,000 shares were issued to contractors as consideration for services provided (2018: 82,000).
After the share split, 50,000 shares were issued under the employee retention plan (2018: 40,000).

4. Share based payment

There were a number of options and employee rights granted during the half-year. The valuation model inputs used to determine the fair value as at grant date were as follows:

Options:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	option life	Dividend yield	Risk free interest rate	Fair value at grant date	Number of options	Vesting date
10/09/2019	30/06/2022	$0.37	$ 0.55	7.03%	2.72 Years	0.00%	1.37%	$0.28	3,000,000	Vest at date of grant
10/09/2019	30/06/2022	$0.37	$ 0.65	7.03%	2.72 Years	0.00%	1.37%	$0.27	3,000,000	Vest at date of grant
29/11/2019	30/04/2023	$0.33	$ 0.70	6.86%	3.42 Years	0.00%	1.37%	$0.27	1,250,000	Vest at date of grant
29/11/2019	30/04/2023	$0.33	$ 0.70	6.86%	3.42 Years	0.00%	1.37%	$0.27	50,000	Vest at date of grant
29/11/2019	30/04/2023	$0.33	$ 0.90	6.86%	3.42 Years	0.00%	1.37%	$0.26	1,250,000	Vest at date of grant
29/11/2019	30/04/2023	$0.33	$ 0.90	6.86%	3.42 Years	0.00%	1.37%	$0.26	50,000	Vest at date of grant

The above relate to option expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve. (2018: $3,283,126).

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	option life	Dividend yield	Risk free interest rate	Fair value at grant date	Number of options	Vesting date
13/08/2019	15/08/2021	$0.43	$0.00	7.32%	2.01 Years	0.00%	1.37%	$0.43	50,000	15/08/2021
30/08/2019	30/08/2021	$0.39	$0.00	7.16%	2.00 Years	0.00%	1.37%	$0.39	7,500	30/08/2021
30/08/2019	28/02/2022	$0.39	$0.00	7.16%	2.50 Years	0.00%	1.37%	$0.39	7,500	28/02/2022
30/08/2019	30/08/2021	$0.39	$0.00	7.16%	2.00 Years	0.00%	1.37%	$0.39	10,000	30/08/2021
30/08/2019	30/08/2021	$0.39	$0.00	7.16%	2.00 Years	0.00%	1.37%	$0.39	10,000	30/08/2021
30/08/2019	28/02/2022	$0.39	$0.00	7.16%	2.50 Years	0.00%	1.37%	$0.39	7,500	28/02/2022
30/08/2019	30/08/2021	$0.39	$0.00	7.16%	2.00 Years	0.00%	1.37%	$0.39	20,000	30/08/2021
30/08/2019	30/08/2021	$0.39	$0.00	7.16%	2.00 Years	0.00%	1.37%	$0.39	20,000	30/08/2021
30/08/2019	30/08/2021	$0.39	$0.00	7.16%	2.00 Years	0.00%	1.37%	$0.39	10,000	30/08/2021

The above relate to employee remuneration expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve. (2018: 23,000 employee rights were granted).

5. Dividends

During the half-year, The Group made the following dividend payments:

	Half-year ended 31 December 2019		Half-year ended 31 December 2018	
	Cents Per Share	Total $	Cents Per Share	Total $
Fully paid ordinary shares				
Final dividend	-	-	-	-

There were no dividends reinvested in 2019 (2018: $nil).

6. Intangible Assets

Cost	Distribution Rights $	Capitalised Development Costs $	Total $
Balance at 30 June 2018	441,017	9,218,765	**9,659,782**
Additions from internal developments	-	2,190,466	**2,190,466**
Balance at 30 June 2019	441,017	11,409,231	**11,850,248**
Additions from internal developments	-	1,264,286	**1,264,286**
Balance at 31 December 2019	441,017	12,673,517	**13,114,534**
Accumulated amortisation and impairment			
Balance at 30 June 2018	(220,507)	(6,890,630)	**(7,111,137)**
Amortisation	(44,100)	(1,908,470)	(1,952,570)
Balance at 30 June 2019	(264,607)	(8,799,100)	**(9,063,707)**
Amortisation	(22,050)	(1,036,300)	**(1,058,350)**
Balance at 31 December 2019	(286,657)	(9,835,400)	(10,122,057)
Carrying Value 31 December 2019	**154,360**	**2,838,117**	**2,992,477**

7. Leases

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term lease; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and AASB Interpretation 4 *Determining whether an Arrangement contrains a Lease.*

7.1 Right-of-use asset

	Building	Total
Cost	**$**	**$**
Balance at 1 July 2019	262,904	**262,904**
Additions	70,182	**70,182**
Balance at 30 June 2019	333,086	**333,086**
Accumulated amortisation and impairment		
Balance at 1 July 2019	-	**-**
Amortisation	99,536	**99,536**
Balance at 31 December 2019	99,536	**99,536**
Carrying Value 31 December 2019	**233,550**	**233,550**

7.2 Lease liabilities

	Half-year ended
Maturity analysis	**$**
Less than one year	224,553
One to five years	15,780
	240,333
Less: unearned interest	(5,977)
	234,356
Analysed as:	
Current	218,576
Non-current	15,780
Balance as at 31 December 2019	234,356

Included in interest expense in consolidated statement of profit or loss and other comprehensive income is interest on lease liabilities of $6,600.

8. Fair value measurement of financial instruments

There are no financial instruments recognised at their fair value.

9. Events after reporting date

The Company received a new contract from the Western Australia Department of Education on 25 February 2020 to supply MGM student absence and school emergency messaging services to all WA government schools. The contract is valued at $1.3 million over two years, which can be extended for a further two years, and replaces a previous contract.

10. Commitments

There have been no changes to commitments since 30 June 2019.