MSL Solutions Limited ABN 96 120 815 778

ASX preliminary final report for the year ended 30 June 2020

Lodged with the ASX under listing Rule 4.3A

Results for announcement to the market
30 June 2020
MSL Solutions Limited

Appendix 4E Reference		30 June 2020 \$'000	30 June 2019 \$'000	Variance \$'000	Variance %
2.1	Revenue from ordinary activities	25,058	27,769	(2,711)	(9.8%)
2.2	Profit/(loss) from ordinary activities after tax attributable to members	(16,402)	(17,942)	1,540	8.6%
2.3	Net profit/(loss) for the period attributable to members	(16,307)	(17,883)	1,576	8.8%
2.4	Dividends/distributions	No dividends were paid during the period, and no dividends have been proposed for payment.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to the attached financial statements			
3	Statement of Comprehensive Income	Refer to the attached financial statements			
4	Statement of Financial Position	Refer to the attached financial statements			
5	Statement of Cash Flows	Refer to the attached financial statements			
6	Statement of Changes in Equity	Refer to the attached financial statements			
7	Details of Individual and total Dividends	Not applicable			
8	Details of dividend reinvestment plans in operation	Not applicable			
9	Net tangible assets per share (cents)*	(0.7) cents	(1.2) cents	0.5 cents	42%
10	Details of entities over which control has been gained or loss	Astra South Pty Limited was deregistered in Australia (50% owned) MPowerMSL UK Limited was incorporated in the United Kingdom (100% owned)			
11	Details of associates or joint venture entities	Not applicable			
12	Any other significant information	Refer to the attached financial statements			
13	The Financial Statements are prepared in accordance with Australian Accounting Standards.				
14	Commentary on the results for the period	Refer to the attached financial statements			
15	The 30 June 2020 financial report and accompanying notes for the Group are in the process of being audited.				
16	Not applicable.				
17	Not applicable.				

*Net tangible assets per share calculation is exclusive of right-of-use assets adopted under AASB16 and includes contract assets.

M-POWER MSL

MSL Solutions Limited

PRELIMINARY FINAL REPORT – 30 JUNE 2020

Preliminary final report for year ended 30 June 2020

Financial and Operational Review

Company Overview

MSL Solutions Limited (ASX: MSL) is a software-as-a-service (SaaS) provider in the sports, leisure and technology sectors.

MSL generates revenues from external customers through the sale of software, hardware, professional services, advertising, subscription annuities and customer contract annuities. Revenue from these services relate to the sale of the Group's own internally generated software in addition to third party suppliers of software and hardware.

MSL operates with three main product pillars: Point of Sale (POS), Analytics and Engagement.

MSL's POS system connects customers to venues using mobile and contactless entry, ordering and payment solutions. It extends POS beyond traditional terminals using its own technology on a single integrated system. Using this system then delivers analytics that customers can use to reduce costs and drive increased revenue by helping venues understand and engage with their customers.

Financial Results

Revenue from ordinary activities was $25.1 million in FY20, down $2.7 million or 9.8% on last year's revenue of $27.8 million. This was due to the Company exiting non-core business lines but also encountering a difficult trading environment due to COVID-19 in Q4FY20.

EBITDA in FY20 was a significant improvement on the previous year, with FY20 EBITDA loss of $0.9 million representing a $4.7 million year-on-year improvement. MSL achieved positive EBITDA of $0.25 million in 2HFY20. This was a significant achievement given that COVID-19 affected operating conditions during this period.

Despite the second half improved performance, the full year (with impairment and one-off restructure costs) recorded a Net Loss after income tax of $16.4 million.

FY20 recorded an impairment charge against goodwill of $10.7 million as at 31 December 2019. An additional significant Expected Credit Loss provision was booked during 1HFY20 of $0.6 million relating to sales and revenue from prior periods. A restructuring charge was also booked in 1HFY20 of $0.9 million as management took the initial steps to right size the business for future profitable growth.

MSL ended the period with cash at bank of $3.8 million, with undrawn standby facilities of $0.5 million.

Operational Review

Following a strategic review announced in August 2019, the first half of 2020 saw the business reduce its costs more in line with its predictable recurring revenue, review non-core products and businesses, address its working capital and cash position and review the balance sheet.

This process dominated the six months to 31 December 2019, however, it provided the Company with a new baseline to deliver sustainable growth and a return to profitability moving forward. Priorities for the 2020 calendar year were identified as:

- Managing operating expenses as a ratio to recurring revenues;
- Reviewing non-core products and businesses;
- Assessing opportunities to transition from a reseller to MSL owning its own intellectual property; and
- Improving the quality and strength of pipeline opportunities.

During 2HFY20, MSL disposed of its iSeekGolf.com website and business to NBC/GolfNow which provided a return of $1.312 million, net of costs.

The global COVID-19 pandemic impacted business operations to some extent, however Golf business was largely unaffected as revenues are generated by Golf memberships rather than Golf activities. The business right sizing and cash improvements undertaken by the Company during Q2FY20 and Q3FY20 allowed a rapid response to managing MSL's cost base in line decreased revenue as a consequence of COVID-19's economic impact.

MSL applied for support under the Australian Federal Government's Job Keeper program and the UK Government Coronavirus Job Retention Scheme which contributed to the COVID-19 Government subsidies received of $881k for the year. These payments are expected to continue into 1QFY21.

The Company identified further reductions in its operating cost base with a permanent reduction in salary costs resulting in an 18% ($3.3 million) decrease in headcount expenses before government subsidy benefits.

In May 2020, MSL announced the signing of a five-year reseller agreement with Addvance IT Limited, which owns Kappture POS software, hardware and payment technologies. The strategic agreement will allow MSL to resell across Europe and Asia-Pacific.

Kappture is a UK-based entity which develops stadium and events specific point of a sale and payments technologies enabling multiple touch points including mobile, tablets and kiosks. Its flagship customers include Twickenham, Crowe Park, Lords, Ascot and Cheltenham racecourses.

This agreement will see MSL's recently established MPowerMSL UK Limited leverage the Kappture technologies across UK, Ireland and Mainland Europe; and MSL will exclusively market and promote Kappture technologies throughout Australia, NZ and East Asia.

This strategic relationship broadens MSL's POS product offering, providing a purpose-built SaaS POS solution for the stadium and events operators. It will enable MSL to expand its global market penetration into stadium and large event venues (current penetration is less than 5%). Kappture's technology is tailored to high volume operations and can be integrated with MSL's own technologies in analytics, in-seat ordering and inventory management.

Post year-end, in August 2020, MSL signed a three year revenue sharing Merchant Agreement with leading 'buy now pay later' (BNPL) payment solution provider Openpay Group Ltd (ASX: OPY, 'Openpay').

Openpay is a well-established player in the fast-growing global market for BNPL payment solutions and partners with merchants to provide repayment plans to customers in-store, in-app and online, allowing customers to make purchases while spreading repayments over time with no interest costs.

The agreement will see MSL integrate Openpay's BNPL offering with MSL's golf and membership products in Australia. This allows participating golf clubs to include Openpay's BNPL plans as a payment option for member subscription fees whilst enhancing golf clubs' operating cashflows.

MSL agreed to partner during this period with Openpay on a basis that excludes Openpay's competitors in the Australian market. Openpay will pay for the platform functionality to be established, and the parties agreed to revenue sharing terms which will see Openpay pay MSL an annual rebate of fees payable to Openpay during each preceding year.

The Openpay payments and commissions from Tyro emphasize the opportunity MSL has with its customer base to drive increased revenue. MSL has over 1220 customers but those customers also have customers reaching into the thousands. The ability for MSL to leverage the transactional value being used in their systems is only at its infancy.

In FY21, MSL will focus on returning the business to growth by expanding sales of the MSL Connect Solution Platform and further management of operating expenses as it continues to review and optimise its portfolio of products and businesses. It will also assess opportunities to move from a being a reseller to owning its own IP and continue to convert and improve the quality and strength of its pipeline.

Summary of Results for the year ended 30 June 2020

Consolidated Summary of results

	1H FY20 A$'000	2H FY20 A$'000	FY20 A$'000	FY19 A$'000
Recurring Revenue	8,849	9,054	17,903	17,625
Non-Recurring Revenue	4,060	3,095	7,155	10,144
Revenue from ordinary activities	**12,909**	**12,149**	**25,058**	**27,769**
Other income	(17)	38	21	21
Cost of sales	(3,702)	(2,920)	(6,622)	(7,785)
Gross margin	**9,190**	**9,267**	**18,457**	**20,005**
Operating expenses	(10,385)	(9,012)	(19,397)	(25,597)
EBITDA *	(1,195)	255	(940)	(5,592)
Depreciation and amortisation	(2,833)	(2,796)	(5,629)	(4,872)
Restructure and transaction costs	(936)	4	(932)	(246)
Expected credit loss - prior period	(616)		(616)	
Impairment expense	(10,672)		(10,672)	(11,500)
Proceeds from Sale of Zuuse shares				3,071
Iseek Golf Sale (net of costs)		1,312	1,312	
Release of Deferred Consideration		165	165	
COVID-19 related Government subsidies		881	881	
EBIT	(16,252)	(179)	(16,431)	(19,139)
Net finance income/(costs)	(139)	(91)	(230)	(22)
NPBT	(16,391)	(270)	(16,661)	(19,161)
Income tax benefit	776	(517)	259	1,219
NPAT	(15,615)	(787)	(16,402)	(17,942)

*The EBITDA for 1HFY20 has been adjusted from the 31 December 2019 Financial Statements for 1HFY20 capitalisation of Research & Development Costs consistent with prior periods.

* EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transaction costs, material credit loss provision increase relating to sales and revenue from prior periods, impacts from fair value movements through the income statement (including impairment of goodwill), gains resulting from acquisition accounting and proceeds from disposal of assets (net of costs).

Financial Statements

Consolidated Statement of Profit or Loss & Other Comprehensive Income

	Note	30 Jun 20 A$'000	30 Jun 19 A$'000
Revenue	3a	25,058	27,769
Other income	3a	1,498	3,092
Cost of sales		(6,622)	(7,785)
Sales and marketing expenses		(4,270)	(6,322)
Customer support and technical services		(4,581)	(7,551)
Research and development expenses		(4,169)	(5,710)
General and administration expenses		(6,055)	(5,900)
Other gains and expenses (net)		(13)	(57)
Net Impairment losses on financial and contract assets		(44)	(57)
Depreciation expense	6a	(59)	(117)
Amortisation expense - Intangible assets	6b	(4,830)	(4,755)
Amortisation expense - Right-of-use assets		(740)	-
Impairment expense	6b	(10,672)	(11,500)
Transaction and restructuring costs	4	(932)	(246)
Finance costs		(230)	(22)
(Loss) before income tax		**(16,661)**	**(19,161)**
Income tax benefit/(expense)		259	1,219
(Loss) for the year		**(16,402)**	**(17,942)**
Other comprehensive income for the year		95	59
Total comprehensive (loss) for the year		**(16,307)**	**(17,883)**
Loss attributable to:			
Owners of MSL Solutions Limited		(16,307)	(17,883)
		(16,307)	**(17,883)**
Total comprehnsive (loss) for the period attributable to:			
Owners of MSL Solutions Limited		(16,307)	(17,883)
		(16,307)	**(17,883)**
EARNINGS PER SHARE FROM LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share (cents)		(5.6)	(7.2)
Diluted earnings per share (cents)		(5.6)	(7.2)

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

The financial statements are in the process of being audited.

Consolidated Statement of Financial Position

	Note	30 Jun 20 A$'000	30 Jun 19 A$'000
ASSETS			
Current assets			
Cash and cash equivalents	5c	3,806	2,284
Trade and other receivables	5a	5,015	5,610
Contract assets	5a	398	1,766
Prepaid income tax		39	-
Other current assets		1,120	890
Total current assets		**10,378**	**10,550**
Non-current assets			
Receivables	5b	1,200	646
Contract assets	5b	707	818
Property, plant and equipment	6a	189	222
Right of Use Asset		2,640	-
Intangible assets	6b	13,543	27,974
Deferred tax asset		-	1,314
Other non-current assets		34	115
Total non-current assets		**18,313**	**31,089**
Total assets		**28,691**	**41,639**
LIABILITIES			
Current liabilities			
Trade and other payables	5d	3,363	4,712
Lease Liability	5e	414	-
Borrowings	5f	543	833
Provisions	6d	1,394	1,411
Income tax payable		-	217
Contract liabilities	3b	5,125	6,298
Total current liabilities		**10,839**	**13,471**
Non-current liabilities			
Borrowings	5f	554	914
Lease Liability	5e	2,601	-
Deferred tax liabilty		716	2,051
Provisions	6d	96	292
Total non-current liabilities		**3,967**	**3,257**
Total liabilities		**14,806**	**16,728**
Net assets		**13,885**	**24,911**
EQUITY			
Contributed equity	7a	66,186	61,003
Reserves	7b	2,923	2,730
Accumulated losses	7c	(55,224)	(38,822)
Total equity		**13,885**	**24,911**

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

The financial statements are in the process of being audited.

Consolidated Statement of Changes in Equity

	Contributed equity $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Total equity $'000
Balance as at 30 June 2018	60,988	(21,004)	2,383	103	42,470
Change in accounting policies					
Restatements - AASB9 impact	-	124			124
Total restatements due to change in accounting policies	-	124	-	-	124
Total comprehensive loss for the period					
Loss for the period	-	(17,942)	-	-	(17,942)
Other comprehensive income	-	-	59	-	59
Total comprehensive loss for the period	-	(17,942)	59	-	(17,883)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	15	-	-	-	15
Share-based payments expense	-	-	-	185	185
Total transactions for the period	15	-	-	185	200
Balance as at 30 June 2019	61,003	(38,822)	2,442	288	24,911
Total comprehensive loss for the period					
Loss for the period	-	(16,402)	-	-	(16,402)
Other comprehensive income	-	-	96	-	96
Total comprehensive loss for the period	-	(16,402)	96	-	(16,306)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	5,183	-	-	-	5,183
Dividends paid	-	-	-	-	-
Share-based payments expense	-	-	-	97	97
Total transactions for the period	5,183	-	-	97	5,280
Balance as at 30 June 2020	66,186	(55,224)	2,538	385	13,885

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

The financial statements are in the process of being audited.

Consolidated statement of cash flows

	30 Jun 20 $'000	30 Jun 19 $'000
Cash flows from operating activities		
Receipts from customers	26,391	30,492
Payments to suppliers, employees and others	(28,041)	(36,366)
Restructure Costs	(925)	-
Finance costs	(269)	(101)
Interest received	112	80
Income tax paid	(52)	-
Government grants and tax incentives	661	-
Net cash flows used in operating activities	**(2,123)**	**(5,895)**
Cash flows from investing activities		
Capital expenditure	(27)	(90)
Purchase of intangibles	(1,110)	(448)
Acquisition of subsidiaries, net of cash & cash equivalents	(180)	(3,828)
Loans to other entities	212	-
Proceeds for disposal of assets	100	-
Proceeds from disposal of investment	652	4,248
Net cash flows used in investing activities	**(353)**	**(118)**
Cash flows from financing activities		
Proceeds from borrowings	-	1,594
Repayment of borrowings	(532)	(40)
Proceeds from issue of share capital	5,431	-
Costs paid on issuance of share capital	(221)	-
Lease principle repayments	(513)	-
Net cash flows used in financing activities	**4,165**	**1,554**
Net cash (outflow) for the year	**1,689**	**(4,459)**
Cash at beginning of the year	2,130	6,647
Effect of foreign exchange	(13)	(58)
Cash at end of the year	**3,806**	**2,130**

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

The financial statements are in the process of being audited.

Notes to the consolidated financial statements

1. Changes in accounting policies

The Group has adopted all the new or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

a. Impact on the financial statements

The Group transitioned to AASB16 on 1 July 2019 on the modified retrospective approach. The Group recognised a Right-of-Use Asset of $3.381m on the 1 July 2019 and a Lease Liability of $3.529 m.

When measuring lease liabilities, the Group discounted lease payments using a discount rate of 6.5%.

	Lease liability $'000
Operating lease commitment at 30 June 2019	6,912
Discounted using the incremental borrowing rate at 1 July 2019	5,244
Lease options not excercised	(1,715)
Current lease liability	551
Non current lease liability	2,978
Opening Balance 1 July 2019	3,529
Principal element of lease payments	(514)
Interest element of lease payments	(212)
Current lease liability	414
Non current lease liability	2,601
Closing Balance 30 June 2020	3,015

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with an amortisation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and amortisation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The comparative information has not been restated and continues to be reported under AASB 117. The details of accounting policies under AASB 117 are disclosed separately if they are different from those under AASB 16.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use asset by the amount of AASB 137 onerous contract provision immediately before the date of application, as an alternative to an impairment review;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As at the date of this report, the Group has entered into a new lease with a commencement date 1 July 2020. The Right-of-Use Asset and Lease Liability calculation for this lease have not been included as at 30 June 2020 but will be included on its effective date of 1 July 2020.

Right-of-use assets at amortised cost

	Right-of-use Asset $'000
Right-of-use asset	3,381
Less Accumulated amortisation	(741)
	2,640

b. Summary of significant accounting policies

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the amortisation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.
Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Critical accounting judgements, estimates and assumptions

Right of use assets

Management have assessed which leases with the options to renew or reasonably likely to be renewed. In the event these renewals do not take place, there may be a significant impact on the right of use asset and associated liability.

2. Segment information

a) Description of segments and principal activities

The Group's executive management team, consisting of the Executive Director & Chairman, Chief Executive Officer, Chief Financial and Operating Officer, Executive General Manager – Product and Support, Executive General Manager – Research &Development and General Manager – Human Resources, examines the Group's performance from an industry perspective with entities in similar markets grouped on a global basis. The following are the identified reportable segments:

1. **MPower Venue**: services the stadia and arena and registered clubs (excluding golf clubs) on a global basis.
2. **MPower Golf**: services the golf clubs and associations market on a global basis.
3. **Corporate**: provides corporate governance overheads for all other segments on a global basis.

Note – the segment of Emerging Markets was discontinued as announced in August 2019 as part of the Board led strategic review.

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

b) Segment revenue and Segment Adjusted EBITDA

Year ended 30 June 2020	MPower Venue A$'000	MPower Golf A$'000	Emerging Markets A$'000	Corporate A$'000	Total A$'000
Revenue from external customers	15,571	9,487	-	-	25,058
Timing of revenue					
At a point in time	5,740	1,415	-	-	7,155
Over time	9,831	8,072	-	-	17,903
Other revenue	-	-	-	21	21
Adjusted EBITDA	6,654	7,519	-	(15,113)	(940)

Year ended 30 June 2019	MPower Venue A$'000	MPower Golf A$'000	Emerging Markets A$'000	Corporate A$'000	Total A$'000
Revenue from external customers	17,519	10,250	-	-	27,769
Timing of revenue					
At a point in time	8,018	2,126	-	-	10,144
Over time	9,501	8,124	-	-	17,625
Other revenue	-	-	-	21	21
Adjusted EBITDA	7,177	7,150	(358)	(19,561)	(5,592)

Segment Adjusted EBITDA excludes the effect of significant items which may have an impact on the quality of earnings such as transaction costs and the net effect of foreign exchange and fair value movements through the income statement.

Geographical earnings

Revenue of Verteda Limited of $7,182k was primarily derived from the United Kingdom. The original currency of pounds sterling has been converted to the presentation currency of the Group at 30 June 2020 as per the Group's accounting policy detailed in Note 14.

Revenue of GolfBox A/S of $3,649k was primarily derived from Scandinavian and European countries. The original currency of Danish krone has been converted to the presentation currency of the Group at 30 June 2020 as per the Group's accounting policy detailed in Note 14.

c) Segment Adjusted EBITDA reconciliation to profit/(loss) before tax

Reconciliation of segment adjusted EBITDA to Profit /(Loss) before income tax	30 Jun 20 A$'000	30 Jun 19 A$'000
Segment adjusted EBITDA	(940)	(5,592)
Proceeds from sale of Zuuse shares (net of cost)	-	3,071
Proceeds from sale of Iseek Golf (net of cost)	1,312	-
COVID-19 related government subsidies	881	-
Release of deferred consideration	165	-
Transaction and restructuring costs	(932)	(246)
Expected credit loss - prior period	(616)	-
Finance costs (net)	(230)	(22)
Depreciation & amortisation	(5,629)	(4,872)
Impairment of Goodwill	(10,672)	(11,500)
Loss before income tax	**(16,661)**	**(19,161)**

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

Refer to Note 4 for further details on the above significant items (excluding depreciation and amortisation).

3. Revenue from contracts with customers

a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	30 Jun 20 $'000	30 Jun 19 $'000
Recurring Revenue		
Customer contracts annuities	9,650	9,761
Subscription annuities	8,253	7,864
Total - Recurring revenue	17,903	17,625
Non-recurring revenue		
Booking Fees	190	190
System Installations	2,126	2,518
Software Fees and Royalties	1,178	1,740
Hardware Fees	3,304	4,984
Advertising	201	484
Other	156	228
Total - Non-recurring revenue	7,155	10,144
Revenue from Operating Activities	25,058	27,769
Other Income		
Gain on sale of an asset - Iseek Golf (net of costs)	1,312	-
Gain on sale of an asset - Zuuse	-	3,071
Gain on reversal of earnout provision/sale of asset	165	10
Settlement of professional matters/export grant income	21	11
Total	1,498	3,092

Revenues from external customers comes from the sale of software, hardware, professional services, advertising, subscription annuities and customer contract annuities. The revenue from these services relate to the sale of the Group's own internally generated software in addition to third party suppliers of software and hardware.

As at the 30 June 2020, the earnout of a historical acquisition of $165k was not met and reversed out. Consequently, there are no remaining deferred consideration liabilities.

b) Assets and liabilities related to contract with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 Jun 20 $'000	30 Jun 19 $'000
Current contract asset relating to fullfilled contracts	401	1,785
Loss allowance	(3)	(19)
Total current contract assets	398	1,766
Non-current contract assets relating to fullfilled contracts	719	842
Loss allowance	(12)	(24)
Total non-current contract assets	707	818
Total contract assets	1,105	2,584
Current contract liabilites - post sales support	4,895	6,027
Current contract liabilities - customer monies held	230	271
Total current contract liabilities	5,125	6,298
Total contract liabilities	5,125	6,298

i. Significant changes in contract assess and liabilities

The Group recognised a loss allowance for contract asses following the adoption of AASB 9.

Contract liabilities relate to the post sales contracted support and subscription services that have been invoiced but yet to be fulfilled. IT consulting contracts comprise those contracts where work remains to be completed that has been invoiced.

ii. Revenue recognised in relation to contract liabilities

The following table shows how much the revenue recognised in the current reporting period relates to carried forward contract liabilities:

	30 Jun 20	30 Jun 19
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Post sales support	6,027	5,840
Customer monies held	25	34

c) Accounting policies and significant judgements

The Group recognises revenue from either individual or multiple element arrangements such as hosting and installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for using the methods outlined below for each individual element contained within the contract.

Customer contracts annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from customer care and support contracts over the period of time governed by the contract, as the customer is receiving and consuming the benefit provided over that time. Customers are invoiced prior to the commencement of the support period with this invoiced amount deferred until support has been provided.

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

Subscription annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from SaaS or subscription contracts over the period of time governed by the contracts from which the customer is receiving and consuming benefits. Customers receive several products or services that are not distinct from each other and as such are recognised as a bundled arrangement. Customers are invoiced prior to the commencement of the subscription period with this invoiced amount deferred until the service has been provided.

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

Booking fees/referral fees

Timing of recognition: The Group accounts for booking and referral revenue when the booking or referral has been completed. This revenue is recognised at a point in time when all obligations have been met.

Measurement of revenue: Booking and referral revenue is based on commission charged for products and services to be provided by a third party, this is an agency arrangement where MSL is an acting as an agent for these providers. As such the net revenue of the agency arrangement is recognised.

System installations/professional services – (contract liability/contract asset)

Timing of recognition: Revenue from system installations is recognised over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

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

Judgements: The Group has determined that it is a separate performance obligation where:

- the services are generic;
- they could be provided by a third party; and
- they do not significantly modify the software or hardware provided to the customer.

Software fees and royalties (contract asset)

Timing of recognition: The Group sells a range of software applications on a perpetual license basis. Sales are recognised when control of the software has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The software license is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contract, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Hardware fees (contract asset)

Timing of recognition: The Group sells a large range of hardware applications. Sales are recognised when control of the hardware has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The hardware is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contracts, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Advertising (contract asset)

Timing of recognition: The Group recognises revenue over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

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

4. Other significant income and expense items

The Group has identified the following items included in the Consolidated Statement of Profit or Loss, which are material due to the significance of their nature and/or amount:

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Accounting gains included in other income		
Gain on reversal of earnout provisions/sale of assets	165	10
Settlement of professional matters/grant income	21	11
Gain on sale of investments (net of costs) - Iseek Golf	1,312	-
Gain on sale of investments - Zuuse	-	3,071
	1,498	**3,092**
Significant expense items		
Transaction and restructuring costs	(932)	(246)
Expected credit loss - prior period	(616)	-
Foreign exchange gains / (losses)	(13)	(57)
	(1,561)	**(303)**
Employee benefits expenses*		
Salaries and wages including on costs	(11,625)	(15,443)
Superannuation and pension contributions	(870)	(1,010)
Annual and long service leave expense	(47)	(108)
Share based payments	(97)	(184)
Government stimulus #	881	-
	(11,758)	**(16,745)**

*Employee benefits expenses are included in the Consolidated Statement of Profit and Loss and Other Comprehensive Income in Sales and marketing expenses, Customer support and technical services, Research and development expenses, General and administration expenses

The Company received Australian Federal Government Jobkeeper payments of $571k, Australian state Payroll Tax refunds of $69k and UK Government Coronavirus Job Retention Scheme payments of $AUD 241k related to Government support of COVID-19 impact.

5. Financial assets and liabilities

The Group holds the following financial assets and liabilities:

Financial assets 2020	Notes	Assets at fair value through profit and loss $'000	Financial assets at amortised cost $'000	Total $'000
Trade and other receivables	5a & 5b	-	6,215	6,215
Contract assets	5a & 5b		1,105	1,105
Cash and cash equivalents	5c	-	3,806	3,806

Financial assets 2019	Notes	Assets at fair value through profit and loss $'000	Financial assets at amortised cost $'000	Total $'000
Trade and other receivables	5a & 5b	-	6,256	6,256
Contract assets	5a & 5b		2,584	2,584
Cash and cash equivalents	5c	-	2,284	2,284

Financial Liabilities 2020	Notes	Liabilities at fair value through profit and loss $'000	Liabilities at amortised cost $'000	Total $'000
Trade and other payables	5d	-	3,363	3,363
Lease liability	5e	-	3,015	3,015
Borrowings	5f	-	1,097	1,097

Financial Liabilities 2019	Notes	Liabilities at fair value through profit and loss $'000	Liabilities at amortised cost $'000	Total $'000
Trade and other payables	5d	-	4,712	4,712
Borrowings	5f	-	1,747	1,747
Contingent Consideration - Earnout provision		345	-	345

The Group's exposure to various risks associated with the financial instruments is discussed in Note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

a) Current financial assets

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Trade receivables	5,463	5,521
Loan receivable	433	272
Receivable - Sale of Business	189	-
Loss allowance	(1,070)	(183)
	5,015	5,610

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Contract assets	401	1,785
Loss allowance	(3)	(19)
	398	1,766

i. Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. In general, trade receivables are due for settlement within 30 days, however in some circumstances the Group has granted extended terms of up to 90 days and for one particular customer a six-month term has been granted. Accordingly, all trade receivables are all classified as current. The Group's accounting policies in relation to trade receivables are outlined in Note 14.

ii. Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

iii. Impairment and risk exposure

The Group routinely assesses the collectability of its current financial assets and has recorded an expected credit loss of $1,073k for the reporting period.

b) Non-current financial assets

	Consolidated 30 Jun 20 $'000	Consolidated 30 Jun 19 $'000
Trade receivables	-	40
Receivable - sale of business	997	-
Loan receivable	212	633
Loss Allowance	(9)	(27)
Total non-current receivables	1,200	646

	Consolidated 30 Jun 20 $'000	Consolidated 30 Jun 19 $'000
Contract assets	719	842
Loss Allowance	(12)	(24)
Total non-current contract assets	707	818

i. *Fair value of contract assets*

Due to the short-term nature of the majority of the Group's contract assets, their carrying amount is considered to be the same as their fair value. These contacts are classified as contracts without significant financing components.

In addition to contract assets without significant financing the Group carries several contract assets that due to their long-term nature their fair value is not equivalent to their carrying value. These contracts are classified as contract assets with significant financing components.

ii. *Impairment and risk exposure*

The Group routinely assesses the collectability of its non-current financial assets and has included an estimated credit loss of $21k for the reporting period.

c) Cash and cash equivalents

iii. *Reconciliation to cash flow statement*

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

	Consolidated 30 Jun 20 $'000	Consolidated 30 Jun 19 $'000
Cash and cash equivalents	3,806	2,284
Overdrafts	-	(154)
	3,806	2,130

iv. *Classification as cash equivalents*

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. Refer to Note 14 for the Group's other accounting policies on cash and cash equivalents.

d) Trade and other payables

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Current		
Trade payables	1,429	2,593
Other payables	1,934	2,119
	3,363	**4,712**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to the same as their fair values, due to the short-term nature.

e) Lease liability

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Current		
Lease liability	414	-
Non-Current		
Lease liability	2,601	-
	3,015	-

Lease liabilities have arisen due to the adoption of AASB16 and are measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate.

f) Borrowings

	Consolidated 30 Jun 20 $'000	30 Jun 19 $'000
Current		
Secured		
Bank overdraft - unsecured	-	154
Bank bill loan - secured	543	667
Lease liabilities - secured	-	12
Total secured current borrowings	543	833
Non-current		
Secured		
Bank bill loan - secured	554	914
Total secured non-current borrowings	554	914
Total borrowings	1,097	1,747
Finance lease - non-cancellable		
Payable:		
Within one year	-	13
Later than one year but not later than 5 years	-	-
Total future minmum lease payments	-	13
Total future finance charges	-	(1)
Lease liabilities	-	12
Lease liabilities are represented in the financial statements as follows:		
Current	-	12
	-	12

i. Bank bill loan

The Company put in place a $2m facility with Westpac in October 2018, with an indicative interest rate of 6.6% and amortisation of the limit over 36 months. There are no financial covenants and the facility is secured by a GSA over the Australian entities of the MSL Group. The Company has received approval from Westpac under the banks COVID-19 relief to defer monthly amortisation payments for 6 months. During this period, interest will continue to accrue and be capitalised against the loan balance. The facility term will extend a further 6 months to April 2022 to maintain the monthly amortisation payments.

The loan is a variable rate, Australian-dollar denominated loan which is carried at amortised cost. It therefore did not have any impact on the Group's exposure to foreign exchange and cash flow interest rate risk.

6. Non-financial assets and liabilities

a) Property, plant and equipment

	Leasehold improvements	Plant and equipment	Furniture Fixtures & Fittings	Motor Vehicle	Total
	$'000	$'000	$'000	$'000	$'000
As at 1 July 2018					
Cost or fair value	60	1,462	364	24	1,910
Accumulated depreciation	(14)	(1,346)	(280)	(21)	(1,661)
Net book amount	46	116	84	3	249
Year ending 30 June 2019					
Opening net book amount	46	116	84	3	249
Exchange differences	-	-	6	-	6
Additions	-	80	4	-	84
Depreciation charge	(7)	(64)	(45)	(1)	(117)
Closing net book amount	39	132	49	2	222
At 30 June 2019					
Cost or fair value	60	1,542	374	24	2,000
Accumulated depreciation	(21)	(1,410)	(325)	(22)	(1,778)
Net book amount	39	132	49	2	222
Year ending 30 June 2020					
Opening net book amount	39	132	49	2	222
Exchange differences			(1)		(1)
Additions			29		29
Disposals				(2)	(2)
Depreciation charge	(11)	(39)	(9)		(59)
Closing net book amount	28	93	68	-	189
At 30 June 2020					
Cost or fair value	60	1,542	402	-	2,004
Accumulated depreciation	(32)	(1,449)	(334)	-	(1,815)
Net book amount	28	93	68	-	189

i. Revaluation, depreciation methods and useful lives.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets and capitalised leased assets is depreciated on a diminishing value basis over their useful lives to the Group, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

- Plant and equipment 27% - 50%
- Furniture, fixtures and fittings 20% - 30%
- Leasehold improvements 7.5% - 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Refer to Note 14 for all other accounting policies relevant to property, plant and equipment.

b) Intangible assets

	Goodwill $'000	Computer software, other $'000	Formation expenses $'000	Contracts and customer relationships $'000	Total $'000
As at 1 July 2018					
Cost or fair value	21,789	9,910	2	24,132	55,833
Accumulated amortisation	-	(5,145)	-	(7,361)	(12,506)
Net book amount	21,789	4,765	2	16,771	43,327
Period ending 30 June 2019					
Opening net book amount	21,789	4,765	2	16,771	43,327
Disposals	-	-	-	-	-
Exchange differences	225	43	-	186	454
Additions	-	448	-	-	448
Amortisation	-	(1,378)	-	(3,377)	(4,755)
Impairment	(11,500)	-	-	-	(11,500)
Closing net book amount	10,514	3,878	2	13,580	27,974
As at 30 June 2019					
Cost or fair value	22,014	10,401	2	24,318	56,735
Accumulated impairment	(11,500)	-	-	-	(11,500)
Accumulated amortisation	-	(6,523)	-	(10,738)	(17,261)
Net book amount	10,514	3,878	2	13,580	27,974
Period ending 30 June 2020					
Opening net book amount	10,514	3,878	2	13,580	27,974
Disposals	-	-	-	-	-
Exchange differences	158	(169)		(28)	(39)
Additions	-	1,110	-		1,110
Amortisation	-	(1,486)	-	(3,344)	(4,830)
Impairment	(10,672)	-	-	-	(10,672)
Closing net book amount	-	3,333	2	10,208	13,543
As at 30 June 2020					
Cost or fair value	22,172	11,342	2	24,290	57,806
Accumulated impairment	(22,172)	-	-	-	(22,172)
Accumulated amortisation	-	(8,009)	-	(14,082)	(22,091)
Net book amount	-	3,333	2	10,208	13,543

i. Amortisation methods and useful lives.

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

- Software – 2.5 to 6 years
- Customer contracts – 3 to 11 years

See Note 14 for the other accounting policies relevant to intangible assets and Note 14 for the Group's policy regarding impairments.

ii. Customer contracts

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

iii. Significant estimate: useful life of Software acquired

Software was acquired as part of a business combination, and was recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over an eight-year period from date of acquisition. This has been estimated as the weighted average of the expected obsolescence of the acquired software.

iv. Significant estimate: capitalised development

Costs that are directly associated with the development of software are recognised as an intangible asset when the following criteria are met:

a) The technical feasibility of completing the intangible asset is achieved so that it will be available for use or sale;
b) The Company intends to complete the intangible asset and then use or sell it;
c) The Company has the ability to use or sell the intangible asset;
d) The Company knows how the intangible asset will generate probable economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
f) The Company is able to measure reliably the expenditure attributable to the intangible asset during its development.

The relevant costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be 60 months. Capitalised software development costs are amortised from when the products to which they relate become available to use. Research costs are expensed as incurred and are largely made up of employee labour which is included in research and development costs in the statement of comprehensive income. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

The Group capitalised $1,110k in FY20 for the development of software that satisfied the conditions above and commenced amortization during the year.

v. Impairment tests for goodwill

As part of the ongoing annual assessment of goodwill by management the Group considers the relationship between its net recoverable amount of its cash generating units based upon discounted cash flows of 5-year forecast EBITDAs and its book value, among other factors, when reviewing for indicators of impairment. As at the half-year ended 31 December 2019, the net recoverable amount of both the MPower Venue and MPower Golf CGUs was below aggregate book value of its intangible assets and net tangible assets excluding cash, indicating a potential impairment of goodwill for these CGUs. Based on this shortfall an impairment charge of $10.7m is included in the statement of profit or loss under impairment charges.

A segment-level summary of the goodwill allocation is presented below with the associated allocation of the Group impairment charge to the relevant segment.

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Mpower Golf	-	4,648
Mpower Venue	-	5,866
Total	-	10,514

c) Employee benefit obligations

Employee benefit obligations

30 Jun 20	Current $'000	Non-current $'000	Total $'000
Annual leave	1,099	-	1,099
Long-service leave	295	96	391
	1,394	96	1,490

30 Jun 19	Current $'000	Non-current $'000	Total $'000
Annual leave	921	-	921
Long-service leave	310	127	437
	1,231	127	1,358

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the reporting period, are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Employee benefit obligations are disclosed on the statement of financial position through inclusion of the annual leave and long service leave obligation within the provisions liability (note 6d).

Other employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

d) Provisions

	Consolidated	
	30 Jun 20 $'000	30 Jun 19 $'000
Current		
Long service leave	295	310
Annual leave	1,099	921
Earnout provision	-	180
	1,394	**1,411**
Non-Current		
Long service leave	96	127
Earnout provision	-	165
	96	**292**

e) Assets held for sale

There were no assets held for sale in FY19 or FY20.

7. Equity

a) Share capital

	Consolidated		Consolidated	
	30 Jun 20 Shares	30 Jun 19 $'000	30 Jun 20 Shares	30 Jun 19 $'000
Share capital				
Fully paid	322,258,160	66,186	249,840,362	61,003
	322,258,160	66,186	249,840,362	61,003

During FY20, the Group completed two successful capital raisings via a share placement to institutional and sophisticated investors and a share purchase plan to eligible shareholders which raised a combined $5.431 m less costs associated with the capital raisings of $248k.

i. Movements in ordinary shares

	Number of shares	Issue price	$'000
Opening Balance 1 July 2018	249,248,965		60,988
Shares issued as part of contingent consideration of Pricap	591,397	$0.186	110
less: Transaction costs			(95)
Closing Balance 30 June 2019	249,840,362		61,003
Shares issued on placement to Sophisticated and Institutional Investors	36,427,987	$0.075	2,732
Shares issued under Share Purchase Plan	35,989,811	$0.075	2,699
less:transaction costs arising on shares issued			(248)
Closing Balance 30 June 2020	322,258,160		66,186

ii. Ordinary shares

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

iii. Options

Information relating to the MSL Solutions Limited Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in Note 12.

iv. Share Performance Rights

Information relating to the MSL Performance Rights Plan, including details of rights issued, vested and lapsed during the financial year and rights outstanding at the end of the reporting period is set out in Note 12.

b) Other reserves

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

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Share based payment reserve	385	288
Foreign currency translation reserve	2,538	2,442
	2,923	**2,730**

Share-based payments

The share-based payments reserve is used to recognise:

- The grant date fair value of options issued to employees but not exercised
- The grant date fair value of performance rights issued to employees

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 14 and accumulated in a separate reserve with equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

c) Accumulated losses

Movement in retained earnings were as follows:

	$'000
As at 1 July 2019	**(38,822)**
Total comprehensive income for the period	
Proit/(loss) for the year	(16,402)
Total comprehensive income for the period	**(16,402)**
Transactions with owners in their capacity as owners	
Contribution of equity net of transaction costs	
As at 30 June 2020	**(55,224)**

8. Critical estimates, judgements and errors

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

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions that may be incorrect. Detailed information about each of these estimates and judgments is included in notes 1 to 7 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there has been actual adjustment this year as a result of an error and of changes to previous estimates.

a) Significant estimates and adjustments

The areas involving significant estimates or judgements are:

- Recognition of revenue
- Collection of long-term receivables
- Estimation of current tax payable and current tax expense
- Estimation of research and development tax credits
- Estimation of capitalised software development expenditure
- Estimated goodwill impairment
- Estimated useful life of intangible asset
- Estimation of contingent purchase consideration in a business combination
- Estimation of right-of-use asset for leases on transition (refer to note 1)
- Recognition of deferred tax asset for carried forward tax losses

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

b) Sources of estimation uncertainty

Revenue recognition

Multiple element contracts entered into by the Group require judgement in the identification and separation of contract components related to software licence fees, post sales customer support and other services. The Group assesses each customer contract individually into its components and considers if any components should be aggregated where they cannot be separately determined. Revenue is assigned to each component based upon the stand-alone fair value of the component relevant to the total contract value.

The Group uses the percentage-of-completion method in accounting for its fixed-price contacts to deliver installation and consultancy services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customer, supply chain, staffing and geographical regions in which the consolidated entity operates. Estimation is also required in relation to government subsidies and in regard to forecasting their continued impact. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

9. Financial risk management

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

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group's finance function has been delegated responsibility by the Board for among other issues, managing financial risk exposure within the Group. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

a) Credit risk

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

i. Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales from all revenue streams;
- Contract assets for sales from all revenue streams; and
- Debt investments carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and unbilled software and hardware sales and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for both trade receivables and contract assets. The ECL percentage is applied to the receivables and the contract assets in their functional currency with the loss allowance then translated to presentation currency.

	Consolidated	
	30 Jun 20	30 Jun 19
	$'000	$'000
Current loss allowance		
Trade receivables	1,050	172
Loan receivable current	20	11
Contract assets without significant financing components	2	4
Contract assets with significant financing components	1	15
	1,073	**202**
Non-current loss allowance		
Loan receivable non-current	9	27
Contract assets with significant financing components	12	24
	21	**51**
	1,094	**253**

Included in the current loss allowance for trade receivables is an amount of $616k provided as at 31 December 2019 in relation to sales contracts and revenue recorded in prior periods which are showing risk of recovery.

10. Commitments

a) Non-cancellable leases

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

	30 Jun 20 $'000	30 Jun 19 $'000
Commitments for minimum lease payments in relation to non-cancellable leases are as follows:		
Within one year	414	789
Later than one year but not later than five years	954	3,355
Later than five years	1,647	2,768
	3,015	**6,912**

b) Bank guarantee

The Group hold a number of bank guarantees in relation to office bonds

	30 Jun 20 $'000	30 Jun 19 $'000
Bank guarantee - MSL Solutions	209	209
Bank guarantee - Micropower	145	-
Bank guarantee - Infogensis	30	30
Bank guarantee - Golflink	-	90
	384	**329**

11. Events occurring after the reporting period

No matters have arisen since the end of the financial year which may materially affect operations of MSL, the results of those operations, or the state of affairs of MSL in future financial years.

12. Share based payments

Employee Option Plan

On 14 January 2020, 1,019,440 options were issued with an exercise price of $0.1125 and a term of 3 years expiring on 14 January 2023 as part compensation for the Share Placement dated 11 November 2019.

No options expired during the period ending 30 June 2020.

The following table summarises the share options outstanding at the end of the year:

Option Class	Number	Grant Date	Term	Exercise Price
OPA_CLASS_TOTAL	2,357,142	18-Dec-15	5 years	$0.217
OPB_CLASS_TOTAL	1,250,000	22-Oct-15	5 years	$0.308
OPC_CLASS_TOTAL	1,071,430	30-May-16	5 years	$0.308
OPD_CLASS_TOTAL	300,000	15-May-17	5 years	$0.350
OPE_CLASS_TOTAL	1,019,440	14-Jan-20	3 years	$0.1125

Share Performance Rights

During September 2019, 3,100,000 Share Performance Rights were issued as detailed in the below table.

2,388,000 Share Performance Rights expired during the period ending 30 June 2020.

The following table summarises the share performance rights issued either under the MSL Performance Rights Plan approved by Shareholders at the Company's AGM on 29 November 2019 or as otherwise stated and outstanding at the end of the year:

Performance Rights Class	Number	Grant Date	Vesting Date	Vesting Conditions	Expiry Date	Term	Exercise
Unlisted Perf Rights_A	1,940,000	6-Dec-18	30-Jun-20	See Note 1 below	30-Jul-22	3.6 years	$0.000
Unlisted Perf Rights_B	1,500,000	24-Sep-19	13-Dec-22	See Note 2 below	1-Sep-24	5 years	$0.000
Unlisted Perf Rights_C	1,000,000	23-Sep-19	19-Aug-21	Non-Market	23-Sep-23	4 years	$0.000
Unlisted Perf Rights_D	600,000	23-Sep-19	23-Sep-23	Non-Market	23-Sep-23	4 years	$0.000

Note 1

A Total Shareholder return of 10% Compound Average Growth Rate (CAGR) to be achieved over the vesting period

Note 2

As approved at the Company's AGM on 27 November, 2019, the Performance Rights were issued to the Chairman and Executive Director, Mr Tony Toohey, with the following conditions:

Tranche	Number	Performance Condition by expiry date
1	225,000	MSL's share price (30d VWAP) equals or exceeds $0.25
2	425,000	MSL's share price (30d VWAP) equals or exceeds $0.30
3	425,000	MSL's share price (30d VWAP) equals or exceeds $0.35
4	425,000	MSL's share price (30d VWAP) equals or exceeds $0.40

13. Earnings per share

a) Basic earnings per share

	30 Jun 20	30 Jun 19
Total basic earnings per share attributable to the ordinary equity	(5.6)	(7.2)

b) Diluted earnings per share

	30 Jun 20	30 Jun 19
Total diluted earnings per share attributable to the ordinary equity	(5.6)	(7.2)

c) Reconciliations of earnings used in calculating earnings per share

	30 Jun 20	30 Jun 19
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(16,402)	(17,942)
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(16,402)	(17,942)

d) Weighted average number of shares used as the denominator

	30 Jun 20	30 Jun 19
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	292,323,026	249,840,362
Adjustments for calculation of diluted earnings per share:		
- Options	-	-
- Share Performance Rights	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	292,323,026	249,840,362

* Information concerning the classification of securities

Options and Share Performance Rights

5,998,112 options over ordinary shares and 5,040,000 share performance rights are not included in the calculation of diluted earnings per share as they are anti-dilutive for the year-ended 30 June 2020. These options and share performance rights could potentially dilute basic earnings per share in the future.

14. Summary of significant accounting policies

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

a) Corporate information

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

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

The financial statements are presented in the Australian currency.

i. Historical cost convention

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

b) Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3).

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

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

ii. Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of these policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is recognised in the profit or loss in the period in which the investment is acquired.

Profits and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the Groups interest in the associate.

When the Groups share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or mad payments on behalf of the associate, When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share for the losses not recognised.

iii. Joint ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the Group's share of profits or losses of joint ventures are recognised in consolidated profit or loss and the Group's share of the movements in other comprehensive income of joint ventures are recognised in consolidated other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

iv. Equity method

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

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

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

c) Segment reporting

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

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

d) Foreign currency translation

i. Function and presentation currency

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

ii. Transactions and balances

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

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

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

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

iii. Group companies

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

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

e) Revenue recognition

The Group recognises revenue from either individual or multiple element arrangements such as hosting and installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for using the methods outlined below for each individual element contained within the contract.

Customer contracts annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from customer care and support contracts over the period of time governed by the contract, as the customer is receiving and consuming the benefit provided over that time. Customers are invoiced prior to the commencement of the support period with this invoiced amount deferred until support has been provided.

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

Subscription annuities – (contract liability)

Timing of recognition: The Group recognises the revenue from SaaS or subscription contracts over the period of time governed by the contracts from which the customer is receiving and consuming benefits. Customers receive several products or services that are not distinct from each other and as such are recognised as a bundled arrangement. Customers are invoiced prior to the commencement of the subscription period with this invoiced amount deferred until the service has been provided.

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

Booking fees/referral fees

Timing of recognition: The Group accounts for booking and referral revenue when the booking or referral has been completed. This revenue is recognised at a point in time when all obligations have been met.

Measurement of revenue: Booking and referral revenue is based on commission charged for products and services to be provided by a third party, this is an agency arrangement where MSL is an acting as an agent for these providers. As such the net revenue of the agency arrangement is recognised.

System installations/professional services – (contract liability/contract asset)

Timing of recognition: Revenue from system installations is recognised over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

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

Judgements: The Group has determined that it is a separate performance obligation where:

- the services are generic;
- they could be provided by a third party; and
- they do not significantly modify the software or hardware provided to the customer.

Software fees and royalties (contract asset)

Timing of recognition: The Group sells a range of software applications on a perpetual license basis. Sales are recognised when control of the software has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The software license is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contract, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Hardware fees (contract asset)

Timing of recognition: The Group sells a large range of hardware applications. Sales are recognised when control of the hardware has been transferred to the customer enabling them to direct the use of the transferred asset. As such revenue is recognised at a point in time once this obligation is complete. The hardware is provided as a distinct service that can be individually measured.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contracts, net of any discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for discounts and returns.

Advertising (contract asset)

Timing of recognition: The Group recognises revenue over a period of time governed by when the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (input method). Depending on the billing arrangements with customers MSL either holds a contract liability or contract asset for this revenue.

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

f) Government subsidies in relation to COVID19

Government subsidies received from various government agencies in response to the COVID19 pandemic have been recognised as a reduction against employment costs.

g) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

MSL Solutions Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and

The net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the parent entity.

i. Research and Development Tax Incentive

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

h) Leases

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the amortisation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.
Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Group recognised leases under AASB117 for the prior period. On this basis, leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated at the rate applicable to the class of fixed assets that the asset has been added to. This is done over the shorter of their estimated useful life and the lease term.

Leases that are classified as operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

i) Business Combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred, and equity interests issued by the Group on acquisition date.

Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value van be identified as existing at acquisition date.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable.

Acquisition-related costs are expensed when incurred

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or joint venture, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the Group's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Group's controlling shareholder's consolidated financial statements.

j) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. An excess of the asset's carrying amount is written off immediately to its recoverable amount if the assets carrying amount if the assets carrying amount is greater than its recoverable amount, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). An impairment loss or a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

l) Investments and other financial assets

i. Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

ii. Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Right-of-use assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- They are held within the business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

m) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

i. Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed based on the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

ii. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

iii. Depreciation rates

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	
Plant and Equipment	27% 50%
Furniture, Fixtures and Fittings	20% 30%
Leasehold Improvements	7.5% 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

n) Intangible assets

i. Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Software

Software used in the business and that is not integral to the computer hardware owned by the Group, is carried at cost less, where applicable, any accumulated depreciation and impairment losses. The depreciable amount of software is depreciated on a straight-line basis at a rate between 12.5% and 40%.

Cost includes the direct costs of acquiring the software. Internal costs incurred in further developing the software are expensed.

In previous financial years all research and development costs were expensed as incurred. As the Group transitions to a SaaS based company, it will provide access to products via a SaaS platform over a prolonged term meaning that, the technical feasibility of products can be established at an earlier phase through pre-defined roadmaps. Costs that are directly associated with the development of this software are recognised as an intangible asset when the following criteria are met:

a) The technical feasibility of completing the intangible asset is achieved so that it will be available for use or sale;
b) The Company intends to complete the intangible asset and then use or sell it;
c) The Company is able to use or sell the intangible asset;
d) The Company knows how the intangible asset will generate probable economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
f) The Company can reliably measure the expenditure attributable to the intangible asset during its development.

The relevant costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be 60 months. Capitalised software development costs are amortised from when the products to which they relate become available to use. Research costs are expensed as incurred and are largely made up of employee labour which is included in research and development costs in the statement of comprehensive income. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Amortisation of intangibles is included in the line 'amortisation' in the profit or loss.

iii. Customer Contracts

Customer contracts recognised on acquisition are amortised on a straight-line basis over the life of the contract, being between 3-11 years. Where a contract holds multiple extension periods, MSL Solutions recognises these only to the extent where MSL Solutions has the control over whether the contract is extended, and it is more than probable that the extension will be utilised.

Amortisation of customer contracts is included in the line 'depreciation and amortisation' in the profit or loss.

iv. Amortisation

Refer to Note 6(b) for details about amortisation methods and periods used by the Group for intangible assets.

o) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within terms of payment as detailed on invoices received.

p) Borrowings

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

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

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

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

q) Borrowing costs

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

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

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

r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

s) Employee benefits

i. Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

ii. Other long-term employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting period. Share-based payments to non-employees are measured at the fair value of the instruments issued and are recorded at the date the goods or services are received.

The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

t) Contributed equity

Ordinary shares are classified as equity.

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

u) Dividends

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

v) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 13).

ii. Diluted earnings per share

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

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

w) Rounding

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

x) Goods and Services Tax (GST) and Value Add Tax (VAT)

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

Cash flows are presented in the statement of cashflow on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

y) Comparatives

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