

Mobile Innovations Limited

ACN 063 582 990

Financial Report for the Half-Year Ended
31 December 2003

Mobile Innovations Limited

Financial Report for the Half-Year Ended 31 December 2003

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Mobile Innovations Limited

Appendix 4D Additional Information For the Half-Year Ended 31 December 2003

Results For Announcement to the Market

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: Half year Ended 31 December 2003

Previous Corresponding Period: Half Year Ended 31 December 2002

Revenue and Net Profit		<u>Percentage</u>	Amount
		<u>Change</u>	
		%	
Revenue from ordinary activities	Up	26%	To 10,584
Profit from ordinary activities after tax attributable to members	Up	317%	To 2,786
Net profit attributable to members	Up	317%	To 2,786

	Half Year	Half Year
	Ended 31 Dec	Ended 31 Dec
	2003	2002
Net tangible assets per security (cents per security)	8.9	6.8

Dividends (Distributions)	<u>Amount per</u>	<u>Franked amount</u>
	<u>security</u>	<u>per security</u>
Interim dividend	Nil	Nil

Brief Explanation of Revenue, Net Profit and Dividends

Mobile Innovations' revenues have increased significantly during the six month period ended 31 December 2003 due to the inclusion of \$2.6 million of damages and interest that was awarded to the Company by the Court of Appeal of NSW on 20 February 2004.

The company's profits increased during the half year due primarily to the inclusion of the above mentioned damages and interest as well as to the continual fine-tuning of the business, Vodafone setting a minimal customer acquisition target of 200 connections for the September 2003 Quarter and improved contribution from the Look Mobile joint venture entity.

Mobile Innovations had \$4.7m cash at bank as at 31 December 2003, down \$244,000 compared to June 2003.

For more details refer to the Review of Operations section within the Directors' Report.

Mobile Innovations Limited

Appendix 4D Additional Information For the Half-Year Ended 31 December 2003

Details Relating to Dividends (Distributions)

		Date dividend paid	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Interim dividend	Dec 2003	-	-	-
	Dec 2002	-	-	-

Total dividend (distribution) per security (interim plus final)

	Dec 2003 ¢	Dec 2002 ¢
Ordinary securities (each class separately)	-	-

Interim and final dividend (distribution) on all securities

	Dec 2003 \$'000	Dec 2002 \$'000
Ordinary securities (each class separately)	-	-
Total	-	-

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Mobile Innovations Limited

Appendix 4D Additional Information For the Half-Year Ended 31 December 2003

Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	Dec 2003 %	Dec 2002 %	Dec 2003 \$'000	Dec 2002 \$000
Associates	-	-	-	-
Joint Venture Entities				
Look Mobile Limited	50	50	509	365
Aggregate Share of Profits	N/A	N/A	509	365

Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- | | |
|--|--|
| <input type="checkbox"/> The accounts have been audited. | <input type="checkbox"/> The accounts have been subject to review. |
| <input checked="" type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

N/A

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A

Mobile Innovations Limited

Directors' Report

The directors of Mobile Innovations Limited submit herewith the financial report for the half-year ended 31 December 2003. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during and since the end of the half-year are:

<i>Name</i>	<i>Particulars</i>
William Jephcott	Chairman, aged 53, joined the board on 15 April 1999 in a non-executive capacity and is currently vice-chairman Mergers and Acquisitions with Merrill Lynch International (Australia) Limited. He is the deputy chairman of ROC Oil Company Limited.
Nigel Bramwell	Non-executive director, aged 46, was managing director of the company from March 1994 to July 2000.
Chris Shaw	Chartered accountant, aged 55, joined the board in 1994 in a non-executive capacity, and is an executive director of Interfine Holdings Pty Limited.
Neil Gamble	Non-executive director, aged 51, joined the board on 25 November 1999. Mr Gamble has been a senior executive of public companies including the Wormald Group, Australis Media Limited and Star City Holdings Limited. He is currently CEO of Solution 6 Holdings Ltd.

Review Of Operations

Mobile Innovations Limited ("the Company") is pleased to announce a half year profit after tax of \$2,786,000, an increase of 317% against the December 2002 result of \$668,000. Profit after tax attributable to Look Mobile (an associated company) was \$509,000 compared to \$365,000 for the corresponding period last year. Operational net profit excluding the accrued damages of \$1.9 million (net of tax) has increased 39% against the previous corresponding period.

Revenues have increased by 26% to \$10.6 million primarily due to the inclusion of \$2.6 million of damages and interest that was awarded to the Company by the Court of Appeal of NSW on 20 February 2004. The underlying operational revenue excluding accrued damages decreased 5% due to little customer acquisition for Vodafone. The damages and interest are in relation to a breach by Vodafone of an Additional Customer Management (ACM) Agreement, in relation to which Vodafone had failed to provide 30,000 additional customers to the Company.

The Company has continued to fine tune the business to enable it to trade profitably and remain cash positive. The Company now employs less than 70 fulltime staff while cash reserves remain strong at \$4.7 million compared to \$5.0 million as at 30 June 2003. An amount of \$1.7 million was paid to shareholders in the form of a fully franked dividend on 28 July 2003. The franking account balance as at 31 December 2003 was \$7.2 million.

Mobile Innovations Limited

Directors' Report

Review Of Operations (Continued)

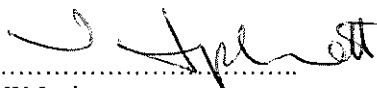
Excluding the revenues from the accrued damages, the Company's 50% share of the Look Mobile joint venture profit and the margins derived from customer management fees were the principle sources of profit for the Company during the half year. With minimal customer acquisitions, the Company's business has continued to focus on the management of its existing customer bases that it and Look Mobile had previously acquired. The Company has over 106,000 customers (30 June 2003: 129,000 customers) under management of which 33,000 customers (30 June 2003: 37,000 customers) were acquired by Look Mobile. However, we expect Vodafone will cease new customer acquisitions under the current arrangements with Look Mobile. The Company's customer base has significantly reduced due to minimal acquisition activity and retention funding by Vodafone. This reduction is expected to continue in light of the judgement handed down by the Court of Appeal of NSW on 20 February 2004 which upheld a substantial portion of Vodafone's appeal against the earlier decision handed down by Justice Einstein in the Supreme Court of NSW. Refer to Note 6 Subsequent Events for further detail.

Rounding Off Of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors.

On behalf of the directors


.....
Mr W Jephcott
Chairman

Sydney, 27th February 2004

INDEPENDENT REVIEW REPORT TO THE MEMBERS

OF MOBILE INNOVATIONS LIMITED

Scope

We have reviewed the financial report of Mobile Innovations Limited ("Mobile") for the half-year ended 31 December 2003 as set out on pages 7 to 15. The financial report includes the consolidated financial statements of the consolidated entity comprising Mobile and the entities it controlled at the end of the half-year or from time to time during the half-year. Mobile's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for Mobile to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the consolidated entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mobile is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding the Determination of the Damages from the Litigation with Vodafone

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 4 to the financial statements, Mobile has been awarded damages with respect to maintaining its idle acquisition infrastructure and the reimbursement of 25% of the legal costs it incurred for the hearing brought before the Supreme Court of NSW. Mobile is also required to pay 80% of Vodafone's legal costs in relation to its appeal. As discussed in Note 4, the quantum of the damages cannot presently be reliably measured and accordingly no asset or liability that may result from these matters has been recognised in the financial statements.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A V Griffiths
A V Griffiths
Partner
Chartered Accountants

Sydney, 27 February 2004

Member of
Deloitte Touche Tohmatsu

Mobile Innovations Limited

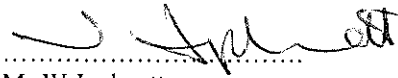
Directors' Declaration

The directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors, pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Mr W Jephcott
Chairman

Sydney, 27th February 2004

Mobile Innovations Limited

Statement of Financial Performance For the Half Year Ended 31 December 2003

	Consolidated	
	Dec 2003 \$'000	Dec 2002 \$'000
Revenue from ordinary activities	10,584	8,383
Share of net profits of associates and joint ventures accounted for using the equity method	509	365
Changes in inventories of finished goods and work in progress	(15)	(48)
Raw materials and consumables used	(815)	(806)
Marketing expenses	(309)	(200)
Employee costs	(2,754)	(3,020)
Communications expense	(763)	(958)
Financial institution costs	(360)	(524)
Occupancy costs	(255)	(307)
Bad debt expense and collection costs	(219)	(196)
Retrenchment costs	-	(67)
Legal expenses	(489)	(232)
Depreciation and amortisation expense	(862)	(987)
Borrowing costs	(21)	(24)
Other expenses from ordinary activities	(555)	(572)
<i>Profit From Ordinary Activities Before Income Tax Expense</i>	3,676	807
Income tax expense relating to ordinary activities	(890)	(139)
<i>Net Profit From Ordinary Activities After Related Income Tax Expense and Attributable to Members of the Parent Entity</i>	2,786	668
<i>Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners</i>	2,786	668
<i>Earnings per share:</i>		
Basic (cents per share)	2.48	0.60
Diluted (cents per share)	2.48	0.60

Mobile Innovations Limited

Statement of Financial Position As at 31 December 2003

	Note	Dec 2003 \$'000	June 2003 \$'000
<i>Current Assets</i>			
Cash assets		4,755	4,999
Receivables		4,313	1,917
Inventories		3	18
Other		76	142
<i>Total Current Assets</i>		9,147	7,076
<i>Non-Current Assets</i>			
Investments accounted for using the equity method		146	437
Property, plant and equipment		2,509	3,335
Deferred tax assets		870	638
<i>Total Non-Current Assets</i>		3,525	4,410
<i>Total Assets</i>		12,672	11,486
<i>Current Liabilities</i>			
Payables		709	2,791
Interest-bearing liabilities		237	224
Current tax liabilities		1,069	435
Provisions		270	301
Other		38	37
<i>Total Current Liabilities</i>		2,323	3,788
<i>Non-Current Liabilities</i>			
Interest-bearing liabilities		238	361
Provisions		107	119
<i>Total Non-Current Liabilities</i>		345	480
<i>Total Liabilities</i>		2,668	4,268
<i>Net Assets</i>		10,004	7,218
<i>Equity</i>			
Contributed equity		221	221
Retained profits	2	9,783	6,997
<i>Total Equity</i>		10,004	7,218

Mobile Innovations Limited

Statement of Cash Flows For the Half Year Ended 31 December 2003

	Consolidated	
	Dec 2003 \$'000	Dec 2002 \$'000
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	9,017	9,767
Payments to suppliers and employees	(7,817)	(8,118)
Dividends received	800	-
Interest and bill discounts received	99	32
Interest and other costs of finance paid	(21)	(42)
Income tax paid	(488)	(844)
Net cash provided by operating activities	1,590	795
<i>Cash Flows From Investing Activities</i>		
Payment for property, plant and equipment	(36)	(98)
Payment for businesses	-	450
Net cash (used in) / provided by investing activities	(36)	352
<i>Cash Flows From Financing Activities</i>		
Repayment of borrowings	(110)	(107)
Dividends paid	(1,688)	-
Net cash used in financing activities	(1,798)	(107)
<i>Net (Decrease)/Increase In Cash Held</i>	(244)	1,040
<i>Cash At The Beginning Of The Financial Year</i>	4,999	1,195
<i>Cash At The End Of The Financial Year</i>	4,755	2,235

Mobile Innovations Limited

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

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2	Retained Profits
3	Significant Transactions
4	Contingent Liabilities and Contingent Assets
5	Segment Information
6	Subsequent Events
7	Other Significant Information

Mobile Innovations Limited

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

1. Basis of Preparation

The preliminary final report has been prepared in accordance with the Corporations Act 2001, AASB 1029 "Interim Financial Reporting" and ASX Listing Rule 4.2A. It should be read in conjunction with the 2003 annual report and any announcements made to the market by Mobile Innovations during the period.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2003 annual financial report.

2. Retained Profits

Balance at beginning of financial year

6,997 6,761

Net profit attributable to members of the parent entity
Dividends accrued for or paid

2,786 1,924
- (1,688)

Balance at end of financial period

9,783 6,997

3. Significant Transactions

As described in Note 6 to the financial statements, on 20 February 2004, the Court of Appeal of NSW upheld a substantial portion of Vodafone's appeal against an earlier Supreme Court decision in which the Company had been awarded 9 of its 11 claims against Vodafone.

The amount of damages and interest of \$2,652,000 that was awarded to the Company by the Court of Appeal of NSW in relation to the breach by Vodafone of the Additional Customer Management Agreement has been recognised as revenue for the period and a receivable has been recorded as at 31 December 2003. In addition, the corresponding tax of \$796,000 has been included in the income tax expense for the period and a current tax liability has been recorded as at 31 December 2003.

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

4. Contingent Liabilities and Contingent Assets

Contingent Assets

As described in Note 6 to the financial statements, on 20 February 2004, the Court of Appeal of NSW upheld a substantial portion of Vodafone's appeal against an earlier Supreme Court decision in which the Company had been awarded 9 of its 11 claims against Vodafone.

The Court held that Vodafone is required to pay the Company the overhead costs (and redundancy costs) it had incurred in maintaining its idle acquisition infrastructure. The quantification of such costs for the 18 month period to 31 March 2003 is yet to be determined but it is not expected to exceed \$3,400,000.

The Court has ordered Vodafone to reimburse the Company 25% of its legal costs incurred with respect to the hearing that was brought before the Supreme Court of NSW. However, the Directors are of the opinion that there is significant uncertainty with respect to determining the amount of legal costs that are included within the Court of Appeal's decision. In addition, this matter may be subject to further negotiation with Vodafone and as a result the Directors are unable to determine a reasonable estimate of this amount.

Contingent Liability

The Court of Appeal has also determined that the Company pay 80% of Vodafone's legal costs in relation to its appeal. However, the Directors are of the opinion that there is significant uncertainty with respect to reasonably determining the amount of legal costs that are included within the Court of Appeal's decision. In addition, this matter may be subject to further negotiation with Vodafone and as a result the Directors are unable to determine a reasonable estimate of this amount.

5. Segment Information

The consolidated entity is involved in the acquisition and maintenance of customers on behalf of Vodafone Network Pty Limited in the capacity of an agent service provider. The consolidated entity operates entirely within Australia.

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

6. Subsequent Events

Dispute with Vodafone

On 20 February 2004, the Court of Appeal of NSW upheld a substantial portion of Vodafone's appeal against the earlier decision by Justice Einstein in the Supreme Court of NSW, in which the Company had been awarded nine separate heads of damage against Vodafone and \$14.2 million in damages.

The Court of Appeal agreed with Vodafone's appeal submission that, in setting the Company targets of zero new connections for certain quarters, Vodafone had complied with the terms of the parties' Agent Service Provider (ASP) Agreement.

The Company had some success in the proceedings overall but much less than its original claims. The Court of Appeal upheld Justice Einstein's finding that the Company was entitled to damages in the sum of \$2,467,000 plus interest regarding a breach by Vodafone of an Additional Customer Management (ACM) Agreement, in relation to which Vodafone had failed to provide 30,000 additional customers to the Company. The amount of interest from 16 April 2003 to 31 December 2003 is \$185,000. The amount of damages plus interest that has been recognised for the half-year ended 31 December 2003 is \$2,652,000. The Court also held that Vodafone is required to pay the Company the overhead costs (and redundancy costs) it had incurred in maintaining its idle acquisition infrastructure. The quantification of such costs for the 18 month period to 31 March 2003 is yet to be determined but it is not expected to exceed \$3,400,000.

Finally, the Court ordered Vodafone to pay 25% of the Company's legal costs with respect to the trial before Justice Einstein in the Supreme Court of NSW, whilst the Company is required to pay 80% of Vodafone's legal costs in relation to the appeal brought before the Court of Appeal.

The Directors of the Company are seeking further legal advice and considering their options regarding the way forward on this legal issue. With respect to the treatment of the legal costs (both the Company's and Vodafone's) and the cost reimbursement for the idle acquisition infrastructure, refer to Note 4 to the financial statements.

New Business Development

The Directors of the Company have considered a number of new business development opportunities and intend to evaluate a digital voice service designed to operate on existing broadband internet connections. These opportunities will be developed in a subsidiary company M! Broadband and kept separate from the existing Vodafone related businesses.

M! Broadband has entered into a contract with dynamicsoft Inc (dynamicsoft), the leading provider of carrier-class presence infrastructure for subscriber-aware communications networks, for the delivery of digital voice services over the internet. Under that contract, M! Broadband is liable to pay licence fees to dynamicsoft for use of the digital voice services software.

The Company will inject into M! Broadband a small amount of seed capital and provide a secured loan facility to M! Broadband for an amount of up to \$2 million to enable M! Broadband to undertake the consumer trial of the digital voice and broadband services. The loan facility will be secured by a fixed and floating charge over the assets of M! Broadband in favour of Mobile Innovations Limited.

Notes to the Financial Statements For the Half-Year Ended 31 December 2003

6. Subsequent Events (Continued)

M! Broadband will commence a consumer trial of its digital voice services designed to operate on existing broadband internet connections during March 2004. The loan funds and seed capital will be utilised by M! Broadband to facilitate this consumer trial. Trialling is expected to continue through the third quarter of financial year 2004 after which the Company will decide whether a viable business can be established with further investment.

The Company intends to establish an employee share trust or similar vehicle which will own 10% of M! Broadband. The company's CEO Ilkka Tales will be the main beneficiary of the trust. Mr Tales has introduced the M! Broadband business concept and relationships that form the basis of the proposed new venture in "digital voice services". The equity participation will ensure that the Company and M! Broadband have the benefit of the long term commitment and services of Mr Tales. Mr Tales has previously agreed to stay in his position with the Company at least until finalisation of the outcome of the litigation with Vodafone.