# Corporate Governance Statement

The directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

## THE BOARD OF DIRECTORS

The board of directors of Mobile Innovations Limited is responsible for the leadership and direction of the company, including strategy, financial budgets and business goals. The board monitors the company's progress towards achieving these goals by means of management reports presented at bi-monthly meetings or as required in the case of special investigations.

The board currently comprises five directors:

| | |
|---|---|
| William Jephcott | Non-executive Chairman |
| Jonathan Marchbank | Non-executive Director |
| Nigel Bramwell | Non-executive Director |
| Chris Shaw | Non-executive Director |
| Neil Gamble | Non-executive Director |

The experience and qualifications of each director are set out on page 10, together with the details of meetings and attendances on page 13.

The five directors meet regularly with the senior executives, discussing achievements and making suggestions and recommendations. Particular emphasis is placed on the need for compliance with legislation in areas such as trade practices, environmental, occupational health and safety and the Corporations Act 2001.

## COMMITTEES OF THE BOARD

The board has formed three committees: audit, compensation and nomination.

The audit committee monitors business and financial risks and ensures the integrity of the company's financial statements by meeting with accounting staff and the external auditors. It is also responsible for monitoring the company's compliance with legislative requirements.

The compensation committee is responsible for reviewing the compensation of executive directors and senior executives to ensure that they are rewarded at an appropriate rate. In due course this committee will also make recommendations to shareholders regarding non-executive directors' fees.

The nomination committee is responsible for the nomination of additional directors. The committee meets as and when required.

## NON-EXECUTIVE DIRECTOR REMUNERATION

The total maximum remuneration of non-executive directors has been approved by shareholders at $250,000 per annum. Remuneration of the Chairman is currently $50,000 per annum and for non-executive directors $30,000 per annum. The approved limit provides adequate flexibility for the appointment of additional directors.

## SHAREHOLDINGS

Directors' shareholdings in the company are shown on page 13.

The company has adopted a share-trading policy allowing directors and nominated senior staff to trade in the company's securities generally only in the six-week period following the release of the company's half-yearly results and yearly results to the Australian Stock Exchange, and after the annual general meeting. Senior staff also require the approval of the board.

## INDEPENDENT ADVICE

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

## CONTINUOUS DISCLOSURE

The board is committed to ensuring price-sensitive information is released to the Australian Stock Exchange in accordance with continuous disclosure requirements.

All reports made to the Australian Stock Exchange are available on the company's internet site at www.mobileinnovations.com.au.

## RISK MANAGEMENT

The board is responsible for the company's system of internal controls. The board constantly monitors the operational and financial aspects of the company's activities and, through the audit committee, the board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the company.

The board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

## CODE OF CONDUCT

As part of the board's commitment to the highest standard of conduct, the company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities.

The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

# Directors' Report

The directors of Mobile Innovations Limited submit herewith the annual financial report for the financial year ended 30 June 2002. 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 financial year are:

| | |
|---|---|
| William Jephcott | Chairman, aged 52, joined the board on 15 April 1999 in a non-executive capacity and is currently a senior adviser with Merrill Lynch International (Australia) Limited. He is the deputy chairman of ROC Oil Company Limited. |
| Nigel Bramwell | Non-executive director, aged 45, was managing director of the company from March 1994 to July 2000. |
| Chris Shaw | Chartered accountant, aged 53, 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 50, joined the board on 25 November 1999. He has been a senior executive of public companies including the Wormald Group, Australis Media Limited and Star City Holdings Limited. Mr Gamble is currently CEO of Solution 6 Holdings Limited and is a non-executive director of Stargames Limited. |
| Jonathan Marchbank | Non-executive director, aged 37, joined the company in January 2000 as managing director, mobiles. Mr Marchbank was CEO of the company from July 2000 to May 2002. |

## PRINCIPAL ACTIVITIES

The consolidated entity's main activity has been the acquisition and maintenance of customers on a cost-plus basis on behalf of Vodafone Network Pty Limited ("Vodafone") in the capacity of an agent service provider. The consolidated entity also manages customers connected to the Vodafone network by Look Mobile Limited, a retail service provider business established as a joint venture between Clarinet Communications Pty Limited and Mobile Innovations Limited.

## REVIEW OF OPERATIONS

Mobile Innovations finished the most difficult year in the company's history with a profit after tax of $0.259 million (91% down from previous year profit of $3.005 million). This significant downturn in profit is a direct consequence of Vodafone reducing its support for the company to acquire new customers. A major impact on profit was the expensing of $0.577 million in litigation costs incurred in the legal proceedings against Vodafone during the year.

Revenues also decreased by 65% to $22.407 million due to little or no support from Vodafone for new customer acquisitions. Approximately $3.580 million of revenue, relating to the recovery, from Vodafone, of costs incurred and expensed in the current year, was not brought to account as part of the financial result for the year ended 30 June 2002. This revenue is in dispute with Vodafone and forms part of the legal proceedings against Vodafone and therefore the board considered it prudent for the revenue to be excluded from the accounts, as the disputed revenue does not presently meet the criteria for revenue recognition under Australian Accounting Standard AASB 1004 "Revenue".

A significant restructuring of the operations was undertaken to recognise the radically changed circumstances. This restructuring was required to enable the company to continue to trade profitably and remain cash positive. Unfortunately the restructuring involved a significant reduction in staff. Cash reserves increased marginally to $1.195 million at 30 June 2002.

In the circumstances a profit after tax of $0.259 million is considered to be a modest result in light of the extraordinary circumstances following Vodafone's initiative not to honour the principal terms and conditions of the Agent Service Provider Agreement.

In August 2001, the company announced it had initiated legal proceedings in the NSW Supreme Court against Vodafone. The company is seeking orders that Vodafone comply with the Agent Service Provider agreement, signed in 1998. That agreement now has approximately six years to run, and relies on Vodafone acquiring customers through Mobile Innovations throughout that period. In the first quarter of FY02, Vodafone did not provide Mobile Innovations with sufficient support to achieve new customer targets, and in subsequent quarters Vodafone have either not set a target for new customers, or have purported to set a target of zero.

Margins derived from management fees were the principal source of revenue for the company during the year and it is these customer management revenues that now form the core business of Mobile Innovations.

## REVIEW OF OPERATIONS (CONT'D)

With the loss of customer acquisitions as a source of revenue and profit Mobile Innovations business has focused on the management of the customer bases acquired by Mobile Innovations and Look Mobile (50% associated company of Mobile Innovations). At 30 June 2002 Mobile Innovations had 168,000 (June 2001: 193,500) customers under management of which 28,000 (June 2001: 8,500) were acquired by Look Mobile. The Mobile Innovations customer base has significantly reduced due to the cessation of acquisition activity by Vodafone and the significant decrease in funding by Vodafone for customer retention. This reduction is expected to continue while Vodafone maintains its current policies.

Vodafone, to date, has continued to support Look Mobile, which acquires predominantly high-value business customers through a network of independent retailers.

Downsizing costs and ongoing fixed costs have also impacted customer management margins. The profits for the year were significantly reduced as the company re-engineered its internal systems and overheads for the reduced scope of the business, pending the outcome of the legal proceedings. As part of the legal proceedings, the company will be claiming compensation for Vodafone's actions in order to compensate for these losses and expenses. No amounts relating to potential proceeds from claims against Vodafone have been brought to account in the year ended 30 June 2002.

The company's future directions and prospects are substantially dependent on the outcome of the litigation or the company reaching a commercial settlement with Vodafone. The litigation is to be heard on 17 February 2003 in the NSW Supreme Court. Mobile Innovations has submitted its evidence to Vodafone in accordance with Supreme Court guidelines. Mobile Innovations and Vodafone have agreed to mediation which is scheduled to occur in November this year, once Vodafone has submitted its evidence in September. The possible outcomes from the litigation or commercial agreement are numerous and uncertain. They range from a continuation of the business under the existing terms of the agreement with Vodafone to a cash settlement and return to shareholders.

## CHANGE IN STATE OF AFFAIRS

During the financial year there was no other significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

## SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## DIVIDENDS

In respect of the financial year ended 30 June 2002, no dividends have been paid or declared. The directors do not recommend the payment of a final dividend in respect of the financial year ended 30 June 2002.

In respect of the financial year ended 30 June 2001, an interim dividend of 1 cent per share franked to 100% at 34% corporate tax rate was paid to the holders of fully paid ordinary shares on 1 May 2001.

## SHARE OPTIONS

### Share Options Granted to Directors and Executives

During and since the end of the financial year an aggregate of 1,500,000 share options were granted to the following directors and executives of the company:

| Directors and Executives | Number of Options Granted | Issuing Entity | Number of Ordinary Shares Under Option |
|---|---|---|---|
| R Stonell[(a)] | 750,000 | Mobile Innovations Limited | 1,200,000 |
| I.Tales[(a)] | 750,000 | Mobile Innovations Limited | 1,050,000 |

(a) New options issued under the Option Deed.

## SHARE OPTIONS (CONT'D)

### Executive and Employee Share Option Plans

In accordance with the provisions of the executive and employee share option plan, as at the date of this report, executives and employees are entitled to purchase an aggregate of 5,705,000 ordinary shares[1] of Mobile Innovations Limited at an issue price of $1.00 per ordinary share in each period of one month from the dates upon which the company lodges its half-yearly report and preliminary final report with the Australian Stock Exchange. These options expire on the earlier of:

- five years from the date of issue, with the issue date being 22 June 1999; or
- the date which the option holder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the option holder, or at such later day as the Board in its absolute discretion determines.

In accordance with the provisions of the executive share option plan II, as at the date of this report, executives and employees are entitled to purchase an aggregate amount of 1,675,000 ordinary shares[2] of Mobile Innovations Limited at an issue price of $0.50 per ordinary share in each period of one month from the dates upon which the company lodges its half-yearly report and preliminary final report with the Australian Stock Exchange. These options expire on the earlier of:

- five years from the date of issue, with the issue date being 16 August 2000; or
- the date which the option holder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the option holder, or at such later day as the Board in its absolute discretion determines.

In accordance with the provisions of the Option Deed, as at the date of this report, key executives are entitled to purchase an aggregate amount of 1,500,000 ordinary shares[3] of Mobile Innovations Limited at an issue price of $0.0747 per ordinary share in each period of one month from the dates upon which the company lodges its half-yearly report and preliminary final report with the Australian Stock Exchange. Half of the options may be exercised from issue date, being 29 November 2001. The remaining options may be exercised 12 months after issue date, but can be exercised early at the discretion and approval of the board. These options expire on the earlier of:

- five years from the date of issue, with the issue date being 29 November 2001; or
- the date which the option holder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the option holder, or at such later day as the Board in its absolute discretion determines.

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

During the financial year, no options were exercised in accordance with the provisions of the executive and employee share option plan, the executive share option plan II or the Option Deed.

(1) 5,555,000 of these options were issued during the 2000 financial year and the value of these options at the date of issue using the Black-Scholes pricing model was $0.51 per option; 150,000 of these options were issued during the 2001 financial year and the value of these options at the date of issue using the Black-Scholes pricing model was $0.09 per option.

(2) These options were issued at various dates during the 2001 financial year and the value of these options at the date of issue using the Black-Scholes pricing model were, for 1,275,000 of the options – $0.20; for 250,000 of the options – $0.18; and for 150,000 of the options – $0.11.

(3) 1,500,000 of these options were issued in the current year and the value of these options at the date of issue using the Black-Scholes pricing model is $0.02 per option.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

## DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 board meetings, two audit committee meetings, two compensation committee meetings and no nomination committee meetings were held.

| | Board of Directors | | Audit Committee | | Compensation Committee | |
|---|---|---|---|---|---|---|
| **Directors** | Held | Attended | Held | Attended | Held | Attended |
| W Jephcott | 10 | 10 | 2 | 2 | 2 | 2 |
| N Gamble | 10 | 10 | 2 | 2 | 2 | 1 |
| C Shaw | 10 | 10 | 2 | 2 | 2 | 2 |
| N Bramwell | 10 | 9 | 2 | 2 | 2 | 1 |
| J Marchbank | 10 | 10 | 2 | 2 | 2 | 2 |

## DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the company as at the date of this report.

| | Fully Paid Ordinary Shares | | Executive |
|---|---|---|---|
| **Directors** | Direct Holding | Indirect Holding | Share Options |
| W Jephcott | - | 260,000 | 1,500,000 |
| N Gamble | - | 310,000 | 500,000 |
| C Shaw | - | 39,342,850[(i)] | - |
| N Bramwell | 40,116 | 38,950,550[(ii)] | - |
| J Marchbank | 100,000 | - | 250,000 |

(i) Mr Shaw holds an approximate 48% interest in Interfine Holdings Pty Limited (formerly Innovations Holdings Pty Limited), which in turn holds the 38,950,550 shares in the company. Mr Shaw's superannuation fund also holds 80,000 shares and a company whom he has beneficial ownership of holds 312,300 shares as at June 2002.

(ii) A related party of Mr Bramwell has a non-controlling interest in Haley BV, which holds the shares in the company.

## DIRECTORS' AND EXECUTIVES' REMUNERATION

Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

(a) Salary/fees;
(b) Benefits – including the provision of motor vehicle, superannuation and health benefits; and
(c) Performance-related bonuses.

From time to time, share options are issued in accordance with the executive and employee share option plans as disclosed in note 7 to the financial statements. The values of the share options at the date of issue, using the Black-Scholes pricing model method, have been disclosed below and are included in the financial statements only for the purposes of determining directors' and executives' remuneration below and in notes 5 and 6 to the financial statements.

## DIRECTORS' AND EXECUTIVES' REMUNERATION (CONT'D)

The following table discloses the remuneration of the directors of the company and the five highest remunerated executives of the company and consolidated entity during the financial year.

| Name | Office | Salary/Fees $ | Benefits $ | Options Awarded $ | Total $ |
|---|---|---|---|---|---|
| W Jephcott | Non-executive director | 50,000 | 4,000 | - | 54,000 |
| N Bramwell | Non-executive director | 90,000 | - | - | 90,000 |
| C Shaw | Non-executive director | 30,000 | 2,400 | - | 32,400 |
| J Marchbank | Non-executive director(ii) | 305,761 | 22,723 | - | 328,484 |
| N Gamble | Non-executive director | 30,000 | 2,400 | - | 32,400 |
| I Tales | Executive | 180,674 | 34,617 | (i)15,000 | 230,291 |
| R Stonell | Executive | 150,458 | 45,966 | (i)15,000 | 211,424 |
| L Jones | Executive | 171,630 | 31,120 | - | 202,750 |
| C Piercy | Executive | 173,483 | 14,632 | - | 188,115 |
| S Ikeda | Executive | 138,246 | 25,459 | - | 163,705 |

| Name | Office | Options Awarded (Number) | Option Plan I Held (Number)(iii) | Option Plan II Held (Number)(iv) | Total Options Held (Number) |
|---|---|---|---|---|---|
| W Jephcott | Non-executive director | - | 1,500,000 | - | 1,500,000 |
| N Bramwell | Non-executive director | - | - | - | - |
| C Shaw | Non-executive director | - | - | - | - |
| J Marchbank | Non-executive director(ii) | - | - | 250,000 | 250,000 |
| N Gamble | Non-executive director | - | 500,000 | - | 500,000 |
| I Tales | Executive | (i)750,000 | 150,000 | 150,000 | 1,050,000 |
| L Jones | Executive | - | 300,000 | 100,000 | 400,000 |
| R Stonell | Executive | (i)750,000 | 300,000 | 150,000 | 1,200,000 |
| C Piercy | Executive | - | - | - | - |
| S Ikeda | Executive | - | 50,000 | 100,000 | 150,000 |

(i) The value of these options at the date of issue, using the Black-Scholes pricing model, was $0.02 per option. The exercise price of the options issued under the Option Deed is $0.0747, with a maturity date of 29 November 2006.

(ii) Mr Marchbank was CEO of the company until May 2002.

(iii) Directors, executives, and employees of the company hold varying numbers of options issued under the executive and employee share option plan I. The exercise price of options issued under this plan is $1.00, with maturity dates ranging from June 2004 to August 2005.

(iv) Directors and executives of the company hold varying numbers of options issued under the executive share option plan II. The exercise price of options issued under this plan is $0.50, with maturity dates ranging from August 2005 to January 2006.

## EMPLOYEES

| | Consolidated 2002 No. | Consolidated 2001 No. | Company 2002 No. | Company 2001 No. |
|---|---|---|---|---|
| Number of employees at end of financial year | 95 | 170 | 95 | 165 |

## 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, pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

**Mr W Jephcott**
**Chairman**

**Mr J Marchbank**
**Director**

Sydney, 25 September 2002

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MOBILE INNOVATIONS LIMITED

**Scope**

We have audited the financial report of Mobile Innovations Limited for the financial year ended 30 June 2002 as set out on pages 17 to 42. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards 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 company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In our opinion, the financial report of Mobile Innovations Limited is in accordance with:

(a) the Corporations Act 2001, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

**A V Griffiths**
**Partner**
**Chartered Accountants**

Sydney, 25 September 2002

The liability of Deloitte Touche Tohmatsu is limited by and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW)

# Directors' Declaration

The directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards in Australia;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and 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 company 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 298(2) of the Corporations Act 2001.

On behalf of the directors

**Mr W Jephcott**
**Chairman**

**Mr J Marchbank**
**Director**

Sydney, 25 September 2002

# Statement of Financial Performance for the Financial Year Ended 30 June 2002

| | Note | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|---|
| Revenue from ordinary activities | | 22,407 | 63,224 | 22,374 | 60,054 |
| Share of net profits/(losses) of associates and joint ventures accounted for using the equity method | | 31 | (413) | - | - |
| Changes in handset inventories | | (347) | (1,246) | (337) | (1,256) |
| Consumables used | | (3,823) | (26,150) | (3,823) | (23,579) |
| Employee costs | | (6,327) | (11,014) | (6,242) | (10,483) |
| Marketing expense | | (918) | (8,225) | (924) | (7,974) |
| Communications expense | | (2,170) | (3,668) | (2,161) | (3,538) |
| Depreciation and amortisation expense | | (2,162) | (1,861) | (2,159) | (1,754) |
| Financial institution costs | | (1,257) | (1,363) | (1,244) | (1,341) |
| Occupancy costs | | (675) | (845) | (671) | (707) |
| Borrowing costs | | (76) | (53) | (76) | (50) |
| Bad debt expense and debt collection costs | | (1,122) | (639) | (1,186) | (1,432) |
| Retrenchment costs | | (622) | (140) | (622) | (140) |
| Legal expenses | | (618) | (71) | (618) | (45) |
| Other expenses from ordinary activities | | (1,957) | (2,302) | (1,799) | (2,181) |
| **Profit From Ordinary Activities Before Income Tax Expense** | 2 | 364 | 5,234 | 512 | 5,574 |
| Income tax expense relating to ordinary activities | 4 | (105) | (2,229) | (105) | (2,034) |
| **Net Profit Attributable to Members of the Parent Entity** | | 259 | 3,005 | 407 | 3,540 |
| **Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity** | | - | - | - | - |
| **Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners** | | 259 | 3,005 | 407 | 3,540 |
| **Earnings Per Share** | | | | | |
| Basic (cents per share) | 28 | 0.23 | 2.7 | | |
| Diluted (cents per share) | 28 | 0.23 | 2.7 | | |

Notes to the financial statements are included on pages 21 to 42.

# Statement of Financial Position as at 30 June 2002

| | Note | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash assets | | 1,195 | 1,167 | 1,186 | 954 |
| Receivables | 9 | 2,625 | 5,924 | 2,619 | 5,823 |
| Inventories | 10 | 67 | 414 | 67 | 404 |
| Other | 11 | 150 | 236 | 150 | 218 |
| **Total Current Assets** | | 4,037 | 7,741 | 4,022 | 7,399 |
| **Non-Current Assets** | | | | | |
| Investments accounted for using the equity method | 12 | 518 | 387 | - | - |
| Other financial assets | 13 | - | - | 518 | 387 |
| Property, plant and equipment | 14 | 5,254 | 7,119 | 5,254 | 7,056 |
| Deferred tax assets | 15 | 1,005 | - | 1,005 | - |
| **Total Non-Current Assets** | | 6,777 | 7,506 | 6,777 | 7,443 |
| **Total Assets** | | 10,814 | 15,247 | 10,799 | 14,842 |
| **Current Liabilities** | | | | | |
| Payables | 17 | 1,371 | 5,809 | 1,371 | 5,570 |
| Interest-bearing liabilities | 18 | 208 | 198 | 208 | 198 |
| Current tax liabilities | 19 | 1,337 | 1,208 | 1,337 | 1,208 |
| Provisions | 20 | 306 | 352 | 306 | 352 |
| Other | 21 | 39 | 44 | 39 | 41 |
| **Total Current Liabilities** | | 3,261 | 7,611 | 3,261 | 7,369 |
| **Non-Current Liabilities** | | | | | |
| Interest-bearing liabilities | 22 | 591 | 788 | 591 | 788 |
| Deferred tax liabilities | 23 | - | 13 | - | 13 |
| Provisions | 24 | 92 | 224 | 92 | 224 |
| **Total Non-Current Liabilities** | | 683 | 1,025 | 683 | 1,025 |
| **Total Liabilities** | | 3,944 | 8,636 | 3,944 | 8,394 |
| **Net Assets** | | 6,870 | 6,611 | 6,855 | 6,448 |
| **Equity** | | | | | |
| Contributed equity | 26 | 109 | 109 | 109 | 109 |
| Retained profits | 27 | 6,761 | 6,502 | 6,746 | 6,339 |
| **Total Equity** | | 6,870 | 6,611 | 6,855 | 6,448 |

Notes to the financial statements are included on pages 21 to 42.

# Statement of Cash Flows for the Financial Year Ended 30 June 2002

| | Note | Consolidated Inflows/(Outflows) 2002 $'000 | Consolidated Inflows/(Outflows) 2001 $'000 | Company Inflows/(Outflows) 2002 $'000 | Company Inflows/(Outflows) 2001 $'000 |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Receipts from customers | | 27,131 | 69,920 | 27,095 | 66,272 |
| Payments to suppliers and employees | | (25,441) | (64,294) | (25,182) | (60,465) |
| Interest and bill discounts received | | 38 | 111 | 38 | 99 |
| Interest and other costs of finance paid | | (76) | (53) | (76) | (50) |
| Income tax paid | | (1,132) | (1,786) | (1,132) | (1,786) |
| Net cash provided by operating activities | 37(c) | 520 | 3,898 | 743 | 4,070 |
| **Cash Flows From Investing Activities** | | | | | |
| Payment for property, plant and equipment | | (297) | (3,512) | (357) | (3,660) |
| Loan to other entities | | (230) | (322) | (230) | (363) |
| Loans repaid by other entities | | 322 | - | 363 | - |
| Payment for purchases of equity investments | | (100) | (800) | (100) | (800) |
| Proceeds from sales of subscriber base | | - | 85 | - | - |
| Net cash used in investing activities | | (305) | (4,549) | (324) | (4,823) |
| **Cash Flows From Financing Activities** | | | | | |
| Proceeds from issues of equity securities | | - | 1 | - | 1 |
| Repayment of borrowings | | (187) | (151) | (187) | (151) |
| Dividends paid – members of the parent entity | | - | (1,110) | - | (1,110) |
| Net cash used in financing activities | | (187) | (1,260) | (187) | (1,260) |
| **Net Increase/(Decrease) In Cash Held** | | 28 | (1,911) | 232 | (2,013) |
| **Cash At The Beginning Of The Financial Year** | | 1,167 | 3,078 | 954 | 2,967 |
| **Cash At The End Of The Financial Year** | 37(a) | 1,195 | 1,167 | 1,186 | 954 |

Notes to the financial statements are included on pages 21 to 42.

## 1. SUMMARY OF ACCOUNTING POLICIES

### FINANCIAL REPORTING FRAMEWORK

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

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

### SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**(a) Accounts Payable**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

**(b) Acquisition of Assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

**(c) Capital Gains Tax**

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

**(d) Depreciation**

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| ■ Billing system | 5 years |
| ■ Other plant and equipment | 3-8 years |
| ■ Equipment under finance lease | 5-6 years |

**(e) Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, sick leave and other employee entitlements expected to be settled within 12 months are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

**(f) Foreign Currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in the statement of financial performance in the period in which they arise.

Financial statements of integrated foreign-controlled entities are translated at reporting date using the temporal method and exchange differences are taken directly to the statement of financial performance.

## 1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

**(g) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

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

**(h) Income Tax**

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

**(i) Interest-Bearing Liabilities**

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

**(j) Inventories**

Inventories are valued at the lower of cost and net realisable value.

**(k) Investments**

Investments in controlled entities are recorded at cost. Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

**(l) Joint Ventures**

Interests in joint-venture entities are accounted for under the equity method in the consolidated financial statements and the cost method on the company financial statements.

**(m) Leased Assets**

Leased assets classified as finance leases are capitalised as property, plant and equipment. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

## 1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

**(n) Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 33 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

**(o) Receivables**

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

**(p) Recoverable Amount of Non-Current Assets**

Non-current assets are written down to recoverable amounts where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amounts of non-current assets, the expected net cash flows have not been discounted to their present value.

**(q) Revenue Recognition**

**Sale of Goods and Disposal of Assets**

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

**Rendering of Services - Agent Service Provider Agreement**

Revenue from a contract to provide services for Vodafone Network Pty Ltd is recognised by reference to the number of subscribers connected to the Vodafone mobile phone network in each month.

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **2. PROFIT FROM ORDINARY ACTIVITIES** | | | | |
| Profit from ordinary activities before income tax includes the following items of revenue and expense: | | | | |
| **(a) Operating Revenue** | | | | |
| Sales revenue: | | | | |
| Sale of goods | 675 | 123 | 675 | 123 |
| Rendering of services | 21,473 | 62,849 | 21,440 | 59,624 |
| | 22,148 | 62,972 | 22,115 | 59,747 |
| Rental revenue: | | | | |
| Other rental revenue | - | 3 | - | 3 |
| Interest revenue: | | | | |
| Other entities | 38 | 111 | 38 | 99 |
| Management fees: | | | | |
| Wholly owned controlled entities | - | - | - | 187 |
| Net foreign exchange gain | - | 18 | - | 18 |
| Equity share of joint-venture entity's profit (note 12) | 31 | - | - | - |
| Other | 221 | - | 221 | - |
| | 22,438 | 63,104 | 22,374 | 60,054 |
| **(b) Non-Operating Revenue** | | | | |
| Proceeds from the sale of long-distance customer base | - | 120 | - | - |
| | - | 120 | - | - |
| | 22,438 | 63,224 | 22,374 | 60,054 |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | $'000 | $'000 | $'000 | $'000 |
| **2. PROFIT FROM ORDINARY ACTIVITIES (CONT'D)** | | | | |
| **(c) Expenses** | | | | |
| Cost of sales | 4,170 | 27,396 | 4,160 | 24,835 |
| Borrowing costs: | | | | |
| Interest: | | | | |
| Other entities | - | 3 | - | - |
| Finance lease finance charges | 76 | 50 | 76 | 50 |
| | 76 | 53 | 76 | 50 |
| Net bad and doubtful debts arising from: | | | | |
| Wholly owned controlled entities | - | - | 64 | 793 |
| Other entities | 912 | 516 | 912 | 519 |
| Impairments of non-current assets: | | | | |
| Investments | - | - | - | 413 |
| Property, plant and equipment | - | 290 | - | 214 |
| | - | 290 | - | 627 |
| Depreciation and amortisation of non-current assets: | | | | |
| Billing system | 1,241 | 976 | 1,241 | 976 |
| Other plant and equipment | 708 | 719 | 705 | 612 |
| Equipment under finance lease | 213 | 166 | 213 | 166 |
| | 2,162 | 1,861 | 2,159 | 1,754 |
| Operating lease rental expenses: | | | | |
| Minimum lease payments | 572 | 231 | 572 | 231 |
| Equity share of joint-venture entity's loss (note 12) | - | 413 | - | - |

## 3. SALES OF ASSETS

Sales of assets in the ordinary course of business have given rise to the following profits:

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **Net Profits** | | | | |
| Long-distance customer base | - | 120 | - | - |

| | Note | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|---|
| **4. INCOME TAX** | | | | | |
| (a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows: | | | | | |
| **Profit from Ordinary Activities** | | 364 | 5,234 | 512 | 5,574 |
| Income tax expense calculated at 30% (2001: 34%) of operating profit | | 109 | 1,780 | 154 | 1,895 |
| **Permanent Differences:** | | | | | |
| Non-deductible expenses | | - | 5 | - | 5 |
| Timing differences and tax losses not brought to account as future income tax benefits | | 257 | 250 | 257 | 308 |
| Equity share of joint-venture entity's (profit)/loss | | (9) | 140 | - | - |
| Effect of higher (2001: lower) rates of tax on overseas income | | 25 | 8 | - | - |
| Tax losses transferred from controlled entity for no consideration | | - | - | (7) | (217) |
| Future income tax benefit not previously recognised now brought to account | | (250) | - | (272) | - |
| | | 132 | 403 | 132 | 96 |
| (Under)/over provision of income tax in previous year | | (27) | 46 | (27) | 43 |
| Income tax expense attributable to operating profit | | 105 | 2,229 | 105 | 2,034 |
| (b) Future income tax benefits not brought to account as assets: | | | | | |
| Tax losses: | | | | | |
| Revenue | | - | 250 | - | - |
| Capital | | 257 | - | 257 | - |
| Timing differences | | - | - | 36 | 308 |
| | | 257 | 250 | 293 | 308 |

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(b) conditions for deductibility imposed by the law are complied with; and
(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

## 5. DIRECTORS' REMUNERATION

The directors of Mobile Innovations Limited during the year were:

- W Jephcott
- N Bramwell
- C Shaw
- N Gamble
- J Marchbank

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the company, directly or indirectly, by the company or by any related party | | | 537,284 | 618,389 |
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party | 537,284 | 618,389 | | |

| | Company 2002 No. | Company 2001 No. |
|---|---|---|
| The number of directors of the company whose total income falls within each successive $10,000 band of income: | | |
| $30,000 - $39,999 | 2 | 2 |
| $50,000 - $59,999 | 1 | 1 |
| $90,000 - $99,999 | 1 | - |
| $120,000 - $129,999 | - | 1 |
| $320,000 - $329,999 | 1 | - |
| $370,000 - $379,999 | - | 1 |

## 6. EXECUTIVES' REMUNERATION

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| Aggregate remuneration of executive officers of the company working mainly in Australia and receiving $100,000 or more from the company or from any related party | | | 1,138,755 | 826,009 |
| Aggregate remuneration of executive officers of each entity in the consolidated entity working mainly in Australia and receiving $100,000 or more from the entity for which they are executive officers or from any related party | 1,138,755 | 826,009 | | |

## 6. EXECUTIVES' REMUNERATION (CONT'D)

The number of executive officers whose remuneration falls within each successive $10,000 band of income (commencing at $100,000).

| | Consolidated 2002 No. | Consolidated 2001 No. | Company 2002 No. | Company 2001 No. |
|---|---|---|---|---|
| $140,000 - $149,999 | 1 | 2 | 1 | 2 |
| $150,000 - $159,999 | - | 1 | - | 1 |
| $160,000 - $169,999 | 1 | - | 1 | - |
| $170,000 - $179,999 | - | 1 | - | 1 |
| $180,000 - $189,999 | 1 | - | 1 | - |
| $190,000 - $199,999 | - | 1 | - | 1 |
| $200,000 - $209,999 | 1 | - | 1 | - |
| $210,000 - $219,999 | 1 | - | 1 | - |
| $230,000 - $239,999 | 1 | - | 1 | - |

## 7. EXECUTIVE AND EMPLOYEE SHARE OPTION PLAN

In accordance with the provisions of the executive and employee share option plan, as at 30 June 2002, executives and employees are entitled to purchase an aggregate of 5,705,000 ordinary shares[1] of Mobile Innovations Limited at an issue price of $1.00 per ordinary share in each period of one month from the dates upon which the company lodges its half-yearly report and preliminary final report with the Australian Stock Exchange. These options expire on the earlier of:

- five years from the date of issue, with the issue date being 22 June 1999; or
- the date which the option holder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the option holder, or at such later day as the Board in its absolute discretion determines.

In accordance with the provisions of the executive share option plan II, as at the date of this report, executives and employees are entitled to purchase an aggregate amount of 1,675,000 ordinary shares[2] of Mobile Innovations Limited at an issue price of $0.50 per ordinary share in each period of one month from the dates upon which the company lodges its half-yearly report and preliminary final report with the Australian Stock Exchange. These options expire on the earlier of:

- five years from the date of issue, with the issue date being 16 August 2000; or
- the date which the option holder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the option holder, or at such later day as the Board in its absolute discretion determines.

In accordance with the provisions of the Option Deed, as at the date of this report, key executives are entitled to purchase an aggregate amount of 1,500,000 ordinary shares[3] of Mobile Innovations Limited at an issue price of $0.0747 per ordinary share in each period of one month from the dates upon which the company lodges its half-yearly report and preliminary final report with the Australian Stock Exchange. Half of the options may be exercised from issue date, being 29 November 2001. The remaining options may be exercised 12 months after issue date, but can be exercised early at the discretion and approval of the board. These options expire on the earlier of:

- five years from the date of issue, with the issue date being 29 November 2001; or
- the date which the option holder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the option holder, or at such later day as the Board in its absolute discretion determines.

The difference between the market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year as disclosed in notes 5 and 6 to the financial statements. During the financial year, no options were exercised.

The market price of the company's ordinary shares at 30 June 2002 was $0.165.

(1) 5,555,000 of these options were issued during the 2000 financial year and the value of these options at the date of issue using the Black-Scholes pricing model was $0.51 per option; 150,000 of these options were issued during the 2001 financial year and the value of these options at the date of issue, using the Black-Scholes pricing model, was $0.09 per option.

(2) These options were issued at various dates during the 2001 financial year and the value of these options at the date of issue, using the Black-Scholes pricing model, were, for 1,275,000 of the options – $0.20; for 250,000 of the options – $0.18; and for 150,000 of the options – $0.11.

(3) 1,500,000 of these options were issued in the current year and the value of these options at the date of issue, using the Black-Scholes pricing model, is $0.02 per option.

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| **8. REMUNERATION OF AUDITORS** | | | | |
| **(a) Auditor of the Parent Entity** | | | | |
| Auditing the financial report | 77,500 | 85,000 | 77,500 | 85,000 |
| Other services | 25,936 | 50,000 | 10,000 | 50,000 |
| | 113,436 | 135,000 | 97,500 | 135,000 |
| **(b) Other Auditors** | | | | |
| Auditing the financial report | - | 25,900 | - | - |
| | - | 25,900 | - | - |
| | 113,436 | 160,900 | 97,500 | 135,000 |

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **9. CURRENT RECEIVABLES** | | | | |
| Trade receivables | 2,834 | 5,773 | 2,812 | 5,604 |
| Allowance for doubtful debts | (522) | (431) | (500) | (390) |
| | 2,312 | 5,342 | 2,312 | 5,214 |
| Non-trade receivable from joint-venture entity | 230 | 322 | 230 | 322 |
| Non-trade receivables from wholly owned controlled entity | - | - | - | 834 |
| Allowance for doubtful debts – wholly owned controlled entity | - | - | - | (793) |
| | 230 | 322 | 230 | 363 |
| Accrued income | - | 84 | - | 84 |
| Other sundry debtors | 83 | 176 | 77 | 162 |
| | 2,625 | 5,924 | 2,619 | 5,823 |
| **10. CURRENT INVENTORIES** | | | | |
| Finished goods: | | | | |
| At cost | 98 | 497 | 98 | 454 |
| Provision for obsolescence | (31) | (83) | (31) | (50) |
| At net realisable value | 67 | 414 | 67 | 404 |
| **11. OTHER CURRENT ASSETS** | | | | |
| Prepayments | 150 | 236 | 150 | 218 |

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | | Ownership Interest | | Consolidated Carrying Amount | |
|---|---|---|---|---|---|
| | | 2001 | 2002 | 2001 | 2002 |
| Name of Entity | Principal Activity | % | % | $'000 | $'000 |
| Joint Venture Entity | | | | | |
| Look Mobile Limited | Mobile Telephone Dealer Channel | 50 | 50 | 518 | 387 |

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|
| **Movement in Investment in Joint-Venture Entity** | | |
| Carrying amount of investment at the beginning of financial year | 387 | - |
| Acquisition of interests in joint-venture entity | 100 | 800 |
| | 487 | 800 |
| **Share of net profit/(loss)** | 31 | (413) |
| Equity-accounted amount of investment at the end of financial year | 518 | 387 |
| Share of Assets and Liabilities of Joint-Venture Entity | | |
| Current assets: | | |
| Cash | 99 | 109 |
| Receivables | 1,020 | 715 |
| Inventories | 67 | 45 |
| Non-current assets: | | |
| Plant and equipment | 98 | 94 |
| Current liabilities | (760) | (573) |
| Non-current liabilities | (6) | (3) |
| Net Assets | 518 | 387 |
| **Share of Net Profit/(Loss) of Joint-Venture Entity** | | |
| Revenue from ordinary activities | 15,626 | 4,768 |
| Expenses from ordinary activities | (15,595) | (5,181) |
| Profit/(Loss) from ordinary activities before income tax | 31 | (413) |
| Income tax expense relating to ordinary activities | - | - |
| Net profit/(loss) | 31 | (413) |
| **Share of Reserves of Joint Venture Entity** | | |
| Retained profits: | | |
| At the beginning of financial year | (413) | - |
| At the end of financial year | (382) | (413) |

The consolidated entity's share of the contingent liabilities of
the joint-venture entity is disclosed in note 30 to the financial statements.

| | Company 2002 No. | Company 2001 No. |
|---|---|---|
| **13. OTHER NON-CURRENT FINANCIAL ASSETS** | | |
| Shares in controlled entities (note 33) | - | - |
| Investment in joint-venture entity[i] | 900 | 800 |
| Less: Provision for diminution | (382) | (413) |
| | 518 | 387 |

(i) The company holds a 50% investment in Look Mobile Limited, which is accounted for under the cost method on the company's financial statements. A provision for diminution of $382,000 (2001: $413,000) has been raised to reflect the company's share of net assets of Look Mobile Limited at 30 June 2002, which is expected to approximate the recoverable amount.

## 14. PROPERTY, PLANT AND EQUIPMENT

Consolidated

| | Billing System $'000 | Other Plant and Equipment $'000 | Equipment Under Finance Lease $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross Carrying Amount** | | | | |
| Balance at 30 June 2001 | 6,107 | 4,446 | 1,181 | 11,734 |
| Additions | 123 | 174 | - | 297 |
| Disposals | (39) | - | (39) | |
| Balance at 30 June 2002 | 6,230 | 4,581 | 1,181 | 11,992 |
| **Accumulated Depreciation/Amortisation** | | | | |
| Balance at 30 June 2001 | (2,204) | (2,196) | (215) | (4,615) |
| Disposals | - | 39 | - | 39 |
| Depreciation expense | (1,241) | (708) | (213) | (2,162) |
| Balance at 30 June 2002 | (3,445) | (2,865) | (428) | (6,738) |
| **Net Book Value** | | | | |
| As at 30 June 2001 | 3,903 | 2,250 | 966 | 7,119 |
| As at 30 June 2002 | 2,785 | 1,716 | 753 | 5,254 |

Company

| | Billing System $'000 | Other Plant and Equipment $'000 | Equipment Under Finance Lease $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross Carrying Amount** | | | | |
| Balance at 30 June 2001 | 6,046 | 4,200 | 1,181 | 11,427 |
| Additions | 123 | 174 | - | 297 |
| Transfer from controlled entity | - | 60 | - | 60 |
| Disposals | - | (39) | - | (39) |
| Balance at 30 June 2002 | 6,169 | 4,395 | 1,181 | 11,745 |
| **Accumulated Depreciation/Amortisation** | | | | |
| Balance at 30 June 2001 | (2,143) | (2,013) | (215) | (4,371) |
| Disposals | - | 39 | - | 39 |
| Depreciation expense | (1,241) | (705) | (213) | (2,159) |
| Balance at 30 June 2002 | (3,384) | (2,679) | (428) | (6,491) |

| | Billing System $'000 | Other Plant and Equipment $'000 | Equipment Under Finance Lease $'000 | Company Total $'000 |
|---|---|---|---|---|
| **14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)** | | | | |
| **Net Book Value** | | | | |
| As at 30 June 2001 | 3,903 | 2,187 | 966 | 7,056 |
| As at 30 June 2002 | 2,785 | 1,716 | 753 | 5,254 |

Aggregate depreciation is recognised as an expense during the year and is disclosed in note 2.

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **15. DEFERRED TAX ASSET** | | | | |
| Future income tax benefit | | | | |
| – Timing differences | 1,005 | - | 1,005 | - |
| | 1,005 | - | 1,005 | - |

## 16. ASSETS PLEDGED AS SECURITY

The consolidated entity does not hold title to the equipment under finance lease, which is pledged as security against the finance lease liability.

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **17. CURRENT PAYABLES** | | | | |
| Trade payables | 628 | 4,159 | 628 | 4,120 |
| Goods and Services Tax (GST) payable | 150 | 358 | 150 | 354 |
| Other payables and accruals | 593 | 1,292 | 593 | 1,096 |
| | 1,371 | 5,809 | 1,371 | 5,570 |
| **18. CURRENT INTEREST-BEARING LIABILITIES** | | | | |
| **Secured:** | | | | |
| Finance lease liabilities[i] (note 31) | 208 | 198 | 208 | 198 |

(i) Secured by the assets leased, the current market value of which exceeds the finance lease liability.

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **19. CURRENT TAX LIABILITIES** | | | | |
| Income tax payable | 1,337 | 1,208 | 1,337 | 1,208 |
| **20. CURRENT PROVISIONS** | | | | |
| Employee entitlements (note 25) | 306 | 352 | 306 | 352 |
| **21. OTHER CURRENT LIABILITIES** | | | | |
| Customer refundable deposits | 39 | 44 | 39 | 41 |

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **22. NON-CURRENT INTEREST-BEARING LIABILITIES** | | | | |
| **Secured:** | | | | |
| Finance lease liabilities[(i)] (note 31) | 591 | 788 | 591 | 788 |
| (i) Secured by the assets leased, the current market value of which exceeds the finance lease liability. | | | | |
| **23. DEFERRED TAX LIABILITIES** | | | | |
| Deferred income tax | - | 13 | - | 13 |
| The prior year provision for deferred income tax has been reduced by the future income tax benefit attributable to timing differences of $92,000. | | | | |
| **24. NON-CURRENT PROVISIONS** | | | | |
| Income tax payable | - | 138 | - | 138 |
| Employee entitlements (note 25) | 92 | 86 | 92 | 86 |
| | 92 | 224 | 92 | 224 |
| **25. EMPLOYEE ENTITLEMENTS** | | | | |
| The aggregate employee entitlement liability recognised and included in the financial statements is as follows: | | | | |
| Provision for employee entitlements: | | | | |
| Current (note 20) | 306 | 352 | 306 | 352 |
| Non-current (note 24) | 92 | 86 | 92 | 86 |
| | 398 | 438 | 398 | 438 |
| **26. CONTRIBUTED EQUITY** | | | | |
| **Contributed Equity** | | | | |
| 111,012,100 fully paid ordinary shares (2001: 111,012,100) | 109 | 109 | 109 | 109 |

| | 2002 No. '000 | 2002 $'000 | 2001 No. '000 | 2001 $'000 |
|---|---|---|---|---|
| **Fully Paid Ordinary Share Capital** | | | | |
| Balance at beginning of financial year | 111,012 | 109 | 110,912 | 108 |
| Issue of shares under executive and employee share option plan | - | - | 100 | 1 |
| Balance at end of financial year | 111,012 | 109 | 111,012 | 109 |

Fully paid ordinary shares carry one vote per share and the right to dividends.

**Share Options**

Details of the executive and employee share option plan are contained in note 7 to the financial statements.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 |
| **27. RETAINED PROFITS** | | | | |
| Balance at beginning of financial year | 6,502 | 4,607 | 6,339 | 3,909 |
| Net profit | 259 | 3,005 | 407 | 3,540 |
| Dividends provided for or paid | - | (1,110) | - | (1,110) |
| Balance at end of financial year | 6,761 | 6,502 | 6,746 | 6,339 |

| | Consolidated | |
|---|---|---|
| | 2002 Cents per Share | 2001 Cents per Share |
| **28. EARNINGS PER SHARE** | | |
| Basic earnings per share | 0.23 | 2.7 |
| Diluted earnings per share | 0.23 | 2.7 |

**Basic Earnings Per Share**

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

| | 2002 000's | 2001 000's |
|---|---|---|
| Earnings | $259 | $3,005 |
| Weighted average number of ordinary shares | 111,012 | 110,987 |

The share options detailed in note 7 to the financial statements are considered to be potential ordinary shares and, therefore, have not been included in the determination of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

**Diluted Earnings Per Share**

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

| | 2002 000's | 2001 000's |
|---|---|---|
| Earnings | $259 | $3,005 |
| Weighted average number of ordinary and potential ordinary shares | 111,305 | 110,987 |

The weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | 2002 000's | 2001 000's |
|---|---|---|

## 28. EARNINGS PER SHARE (CONT'D)

| | 2002 000's | 2001 000's |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic EPS | 111,012 | 110,987 |
| Shares deemed to be issued for no consideration in respect of employee options | 293 | - |
| Weighted average number of ordinary and potential ordinary shares used in the calculation of diluted EPS. | 111,305 | 110,987 |

All other potential ordinary shares in respect of employee options referred to in Note 7, in both the current and prior years, are not dilutive and are therefore excluded from the weighted average calculation of diluted earnings per share.

## 29. DIVIDENDS

| | 2002 Cents per Share | 2002 Total $'000 | 2001 Cents per Share | 2001 Total $'000 |
|---|---|---|---|---|
| **Fully Paid Ordinary Shares** | | | | |
| Interim dividend – franked to 30% (2001: 34%) | - | - | 1 | 1,110 |

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| Adjusted franking account balance | 13,585 | 7,853 | 13,585 | 7,853 |

## 30. CONTINGENT LIABILITIES

On 1 July 2001, Mobile Innovations Limited provided a guarantee to Clarinet Communications Pty Limited in respect of Look Mobile Limited. In accordance with its provision of customer management services, Mobile Innovations guaranteed the level of bad debt within Look Mobile Limited to a maximum of 8% on all sales of Look Mobile from that date forward. This guarantee was subsequently withdrawn as a result of the inability to agree to specific terms and definitions of the level of bad debts.

There are no other contingent liabilities.

## 31. LEASES

**Finance Leases**

**Leasing arrangements**

Finance leases relate to computer equipment with lease terms of between five to six years.

| **Finance lease liabilities** | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| No later than one year | 268 | 264 | 268 | 264 |
| Later than 1 year and not later than five years | 648 | 915 | 647 | 915 |
| Minimum finance lease payments | 916 | 1,179 | 915 | 1,179 |
| Less future finance charges | (117) | (193) | (116) | (193) |
| Finance lease liabilities | 799 | 986 | 799 | 986 |

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **31. LEASES (CONT'D)** | | | | |
| **Finance Leases (cont'd)** | | | | |
| Included in the financial statements as: | | | | |
| Current interest-bearing liabilities (note 18) | 208 | 198 | 208 | 198 |
| Non-current interest-bearing liabilities (note 22) | 591 | 788 | 591 | 788 |
| | 799 | 986 | 799 | 986 |
| **Operating Leases** | | | | |
| **Leasing arrangements** | | | | |
| Operating leases relate to office facilities and equipment with lease terms of between three to six years | | | | |
| **Non-cancellable operating leases** | | | | |
| Not longer than one year | 592 | 572 | 592 | 572 |
| Longer than one year and not longer than five years | 1,723 | 1,318 | 1,723 | 1,318 |
| Longer than five years | 831 | - | 831 | - |
| | 3,146 | 1,890 | 3,146 | 1,890 |

## 32. ECONOMIC DEPENDENCY

A significant volume of the company's revenue is derived under the Agent Service Provider Agreement ("Agreement") that exists between the company and Vodafone Network Pty Limited ("Vodafone"). The Agreement was signed on 2 October 1998 and operates for 10 years unless terminated sooner in accordance with its provisions.

Under the Agreement, Vodafone has appointed the company as a non-exclusive agent service provider of Vodafone Billing Services Pty Limited ("Vodafone Billing Services") to provide services in relation to:

(i) The acquisition and connection of new subscribers to Vodafone's mobile telecommunications services on a post-paid basis; and

(ii) The management of new and existing subscribers including the billing of subscribers for mobile telecommunication services.

The Agreement provides that the company must devote its entire Australian mobile direct marketing operation exclusively to Vodafone and Vodafone Billing Services, which operation involves the acquisition of subscribers to mobile telecommunication services solely by means of remote selling. This does not prevent the company from selling products and services ancillary to mobile telecommunications services and other goods and services to Vodafone subscribers.

The Agreement prohibits Vodafone or any related entity from dealing with any service providers or an existing service provider which conducts a mobile direct marketing operation within Australia in competition with Mobile Innovations, including an existing service provider who is a member of the Vodafone Group.

The Agreement may be terminated by Vodafone on the occurrence of certain specified events including the insolvency of the company, breach of a material provision which is not remedied and the change in control of the company. The Agreement may also be terminated in certain circumstances on the occurrence of an event beyond the reasonable control of a party which prevents the performance of all, or a substantial part of, that party's obligations. Vodafone is entitled to immediately terminate the agreement if:

- a competitor of Vodafone in Australia obtains the power, whether directly or indirectly, to exercise or control the exercise of 20% or more of the voting power attaching to securities in the company, except by "creeping" under the provisions of the Corporations Act 2001; or
- a competitor of Vodafone in Australia obtains the power to control, whether directly or indirectly, any position on the board of the company.

As disclosed in the Directors' Report; in August 2001 the company announced it had initiated legal proceedings in the NSW Supreme Court against Vodafone Pacific Ltd ("Vodafone"). The company is seeking orders that Vodafone comply with the Agent Service Provider Agreement, which relies on Vodafone acquiring customers through Mobile Innovations throughout the term of the agreement.
The company's future directions and prospects are substantially dependent on the outcome of the litigation or the company reaching a commercial settlement with Vodafone. The litigation is to be heard on 17 February 2003 in the NSW Supreme Court.

## 33. CONTROLLED ENTITIES

| Name Of Entity | Country of Incorporation | 2002 % | 2001 % |
|---|---|---|---|
| **Parent Entity** | | | |
| Mobile Innovations Limited | Australia | | |
| **Controlled Entities** | | | |
| Innocom Systems Pty Limited | Australia | 100 | 100 |
| Mobile Innovations New Zealand Limited[(i)] | New Zealand | - | 100 |

(i) Refer note 34

## 34. DISCONTINUED OPERATIONS

During the financial year the consolidated entity discontinued the operations of Mobile Innovations New Zealand Limited ("MINZ"), effective 15 August 2001. Formal liquidation of MINZ was completed on 13 May 2002, and the company was removed from the Register on 14 June 2002. The summarised statement of financial position, statement of financial performance and statement of cash flows of MINZ are disclosed below for the period to 14 June 2002:

| Mobile Innovations New Zealand | Period from 1 July 2001 to 14 June 2002 $'000 | 12 months to 30 June 2001 $'000 |
|---|---|---|
| **Summarised Statement of Financial Performance** | | |
| Revenue from ordinary activities | 48 | 2,594 |
| Expenses from ordinary activities | (148) | (3,351) |
| Loan Forgiven by Mobile Innovations Limited | 857 | - |
| Net Profit/(Loss) | 757 | (757) |
| **Summarised Statement of Financial Position** | | |
| Total Assets | - | 199 |
| Total Liabilities | - | 956 |
| Net Liabilities | - | (757) |
| **Summarised Statement of Cash Flows** | | |
| Net Cash Outflows from Operating Activities | (116) | (576) |
| Net Cash Outflows from Investing Activities | - | (165) |
| Net Cash Inflows from Financing Activities | 64 | 793 |
| Net Cash (Outflows)/Inflows | (52) | 52 |

## 35. SEGMENT INFORMATION

| | | Revenue | | Results | | Assets |
|---|---|---|---|---|---|---|
| **Geographical** | **2002 $'000** | **2001 $'000** | **2002 $'000** | **2001 $'000** | **2002 $'000** | **2001 $'000** |
| Australia (ii) | 22,352 | 60,519 | 471 | 6,346 | 10,296 | 15,454 |
| New Zealand (ii) | 48 | 2,594 | (100) | (757) | - | 199 |
| | 22,400 | 63,113 | 371 | 5,589 | 10,296 | 15,653 |
| Unallocated (i) | 38 | 111 | (7) | (355) | 518 | 387 |
| Eliminations | - | - | - | - | - | (793) |
| | 22,438 | 63,224 | 364 | 5,234 | 10,814 | 15,247 |

## 35. SEGMENT INFORMATION (CONT'D)

| | Liabilities | | Depreciation | | Acquisition of Assets | |
|---|---|---|---|---|---|---|
| Geographical | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 |
| Australia | 3,944 | 8,473 | 2,159 | 1,832 | 297 | 3,271 |
| New Zealand | - | 956 | 3 | 29 | - | 165 |
| | 3,944 | 9,429 | 2,162 | 1,861 | 297 | 3,436 |
| Unallocated | - | - | - | - | - | - |
| Eliminations | - | (793) | - | - | - | - |
| | 3,944 | 8,636 | 2,162 | 1,861 | 297 | 3,436 |

(i) The company's share of the profits/(losses) of Look Mobile Limited and the carrying amount of the investment in Look Mobile Limited have not been allocated to the geographic segments above.

(ii) All sales of the company and wholly owned controlled entities are external sales.

Mobile Innovations Limited operates predominately in the telecommunications industry.

## 36. RELATED PARTY DISCLOSURES

**(a) Equity Interests In Related Parties**

**Equity Interests in Controlled Entities**

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 33 to the financial statements.

**Equity Interests in Joint Venture**

Details of the interest in the joint venture are disclosed in note 12 to the financial statements.

**(b) Directors' Remuneration**

Details of directors' remuneration are disclosed in note 5 to the financial statements.

| | Fully Paid Ordinary Shares | | Executive Share Options | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| **(c) Directors' Equity Holdings** | | | | |
| Issued during the financial year to directors and their director-related entities by: | | | | |
| Mobile Innovations Limited | - | 393,000 | - | 250,000 |
| | - | 393,000 | - | 250,000 |
| Held as at the reporting date by directors and their director-related entities by: | | | | |
| Mobile Innovations Limited | 79,003,516 | 78,841,216 | 2,250,000 | 2,750,000 |

## 36. RELATED PARTY DISCLOSURES (CONT'D)

**(d) Other Transactions With Directors**

The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions with directors or their director-related entities:

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| Other revenue | 37,097 | - | 37,097 | - |
| Administration expenses | 344,389 | 312,165 | 344,389 | 57,203 |
| Management and marketing expenses | 121,059 | 354,492 | 121,059 | 354,492 |
| Recruitment and staffing expenses | - | 144,069 | - | 144,069 |
| Customer introduction expenses | - | 85,788 | - | 85,788 |
| Rental expenses | 434,547 | 779,756 | 394,724 | 736,045 |
| Payroll costs | - | 160,437 | - | - |
| Telephone expenses | 220,657 | 48,334 | 220,657 | 48,334 |

All transactions were under normal commercial terms and conditions.

During the prior financial year, directors and their director-related entities purchased goods from the company totalling $41,000 on the same terms and conditions available to other employees and customers.

**(e) Transactions Within the Wholly Owned Group**

The wholly owned group includes:

- the ultimate parent entity in the wholly owned group; and
- wholly owned controlled entities.

The ultimate parent entity in the wholly owned group is Mobile Innovations Limited.

During the financial year, Mobile Innovations Limited provided certain administrative and IT services, at cost, to entities in the wholly owned group.

Cash advances were made to wholly owned controlled entities to fund operations.

Amounts receivable from entities in the wholly owned group are disclosed in note 9 to the financial statements.

Details of interest expense, allowances for doubtful receivables in respect of transactions with entities in the wholly owned group are disclosed in note 2 to the financial statements.

**(f) Transactions With Other Related Parties**

Other related parties include:

- the ultimate parent entity;
- associates and joint-venture entities; and
- directors of related parties and their director-related entities.

On behalf of Look Mobile Limited the company remunerated the employees of Look Mobile Limited and remitted associated taxes. The company was reimbursed in full for the disbursements, which totalled $868,743 (2001: $1,183,027).

During the financial year Mobile Innovations Limited provided administrative and accounting services at cost to Look Mobile Limited which totalled $1,442,818 (2001: $201,096).

During the financial year the company sold handset inventories to Look Mobile Limited at cost, which totalled $267,561 (2001: $705,477).

## 36. RELATED PARTY DISCLOSURES (CONT'D)

**(f) Transactions With Other Related Parties (cont'd)**

Aggregate amounts receivable from other related parties are disclosed in note 9 to the financial statements.

Details of interest expense, allowances for doubtful receivables and write-downs of receivables in respect of transactions with other related parties are disclosed in note 2 to the financial statements.

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 | Company 2002 $'000 | Company 2001 $'000 |
|---|---|---|---|---|
| **37. NOTES TO THE STATEMENT OF CASH FLOWS** | | | | |
| **(a) Reconciliation of Cash** | | | | |
| For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows: | | | | |
| Cash | 1,195 | 1,167 | 1,186 | 954 |
| **(b) Non-Cash Financing and Investing Activities** | | | | |
| During the prior year the company acquired property, plant and equipment valued at $735,000 by means of a finance lease. Only the principal repayments have been reflected in the statement of cash flows. | | | | |
| **(c) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities** | | | | |
| Profit from ordinary activities after related income tax | 259 | 3,005 | 407 | 3,540 |
| Profit on sale of non-current assets | - | (85) | - | - |
| Share of joint venture entities (profit)/loss | (31) | 413 | - | - |
| Depreciation and amortisation of non-current assets | 2,162 | 1,861 | 2,159 | 1,754 |
| Impairment of property, plant and equipment | - | 290 | - | 214 |
| Diminution in value of investment | - | - | - | 413 |
| Reduction in provision for diminution of investment | - | - | (31) | - |
| Increase/(decrease) in income tax payable | (9) | 483 | (9) | 298 |
| Decrease in deferred tax assets / liabilities | (1,018) | (28) | (1,018) | (49) |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses: | | | | |
| (Increase)/decrease in assets: | | | | |
| Current receivables | 3,207 | 989 | 3,071 | 1,009 |
| Current inventories | 347 | 1,246 | 337 | 1,256 |
| Other current assets | 86 | 481 | 68 | 499 |
| Increase/(decrease) in liabilities: | | | | |
| Current trade payables | (4,438) | (4,821) | (4,199) | (4,925) |
| Other current liabilities | (51) | 49 | (48) | 46 |
| Other non-current liabilities | 6 | 15 | 6 | 15 |
| Net cash from operating activities | 520 | 3,898 | 743 | 4,070 |

## 38. FINANCIAL INSTRUMENTS

**(a) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

**(b) Interest Rate Risk**

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2002:

| 2002 | Average Interest Rate % | Variable Interest Rate $'000 | Fixed Interest Rate Maturity: Less than 1 Year $'000 | 1 to 5 Years $'000 | More than 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Cash | 3.69 | 1,121 | - | - | - | - | 1,121 |
| Trade receivables | - | - | - | - | - | 2,625 | 2,625 |
| Bills of exchange | 4.50 | 74 | - | - | - | - | 74 |
| | | 1,195 | - | - | - | 2,625 | 3,820 |
| **Financial Liabilities** | | | | | | | |
| Trade payables | - | - | - | - | - | 1,371 | 1,371 |
| Finance lease liabilities | 7.96 | - | 208 | 591 | - | - | 799 |
| Customer deposits | - | - | - | - | - | 39 | 39 |
| Employee entitlements | - | - | - | - | - | 398 | 398 |
| Income tax payable | - | - | - | - | - | 1,337 | 1,337 |
| | | - | 208 | 591 | - | 3,145 | 3,944 |

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2001:

| 2001 | Average Interest Rate % | Variable Interest Rate $'000 | Fixed Interest Rate Maturity: Less than 1 Year $'000 | 1 to 5 Years $'000 | More than 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Cash | 5.17 | 1,093 | - | - | - | - | 1,093 |
| Trade receivables | - | - | - | - | - | 5,924 | 5,924 |
| Bills of exchange | 6.45 | 74 | - | - | - | - | 74 |
| | | 1,167 | - | - | - | 5,924 | 7,091 |
| **Financial Liabilities** | | | | | | | |
| Trade payables | - | - | - | - | - | 5,809 | 5,809 |
| Finance lease liabilities | 7.96 | - | 198 | 788 | - | - | 986 |
| Customer deposits | - | - | - | - | - | 44 | 44 |
| Employee entitlements | - | - | - | - | - | 438 | 438 |
| Income tax payable | - | - | - | - | - | 1,346 | 1,346 |
| | | - | 198 | 788 | - | 7,637 | 8,623 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

**(c) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair-value basis.

The consolidated entity does not have any significant credit-risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

**(d) Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## 39. ADDITIONAL COMPANY INFORMATION

Mobile Innovations Limited is a listed public company, incorporated and operating in Australia.

**Principal Registered Office**

431 Warringah Rd
Frenchs Forest, NSW, 2086
Tel: (02) 9004 4444

**Principal Place of Business**

431 Warringah Rd
Frenchs Forest, NSW, 2086
Tel: (02) 9004 4444

# Additional Stock Exchange Information as at 30 August 2002

## NUMBER OF HOLDERS OF EQUITY SECURITIES

**Ordinary Share Capital**

111,012,100 fully paid ordinary shares are held by 1,422 individual shareholders.

All issued ordinary shares carry one vote per share.

**Options**

8,880,000 options are held by 44 individual option-holders.

Options do not carry a right to vote.

## DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

| | | | Fully Paid Ordinary Shares | Options |
|---|---|---|---|---|
| 1 | - | 1,000 | 183 | - |
| 1,001 | - | 5,000 | 651 | - |
| 5,001 | - | 10,000 | 213 | 1 |
| 10,001 | - | 100,000 | 337 | 23 |
| 100,001 and over | | | 38 | 20 |
| | | | 1,422 | 44 |
| Holding less than a marketable parcel | | | 562 | - |

# Additional Stock Exchange Information as at 30 August 2002

## SUBSTANTIAL SHAREHOLDERS

| | No. | Fully Paid % |
|---|---|---|
| **Ordinary Shareholders** | | |
| Haley BV | 38,950,550 | 35.10 |
| Interfine Holdings Pty Limited (formerly Innovations Holdings Pty Limited) | 38,950,550 | 35.10 |
| Citicorp Nominees Pty Limited | 7,387,484 | 6.67 |
| | 85,288,584 | 76.87 |

## TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

| | No. | Fully Paid % |
|---|---|---|
| **Ordinary Shareholders** | | |
| Haley BV | 38,950,550 | 35.10 |
| Interfine Holdings Pty Limited (formerly Innovations Holdings Pty Limited) | 38,950,550 | 35.10 |
| Citicorp Nominees Pty Limited | 7,387,484 | 6.67 |
| Nicholas Burton Taylor | 1,500,000 | 1.35 |
| National Nominees Limited | 576,000 | 0.52 |
| Trafalgar Custodians P/L | 532,000 | 0.48 |
| Mr & Mrs Bartlett | 497,030 | 0.45 |
| John McClennan | 400,000 | 0.36 |
| Glen Farebrother | 333,322 | 0.30 |
| Capital Corp (Holdings) Pty Limited | 315,500 | 0.28 |
| Pure Warm Pty Limited | 314,343 | 0.28 |
| Interfine Investments Pty Limited | 312,300 | 0.28 |
| Hilmorton Custodians Pty Limited | 312,000 | 0.28 |
| Mrs Jean Susanna Gamble | 310,000 | 0.28 |
| Mr David Griffiths | 300,000 | 0.27 |
| Blacklash Pty Limited | 283,720 | 0.26 |
| G&H Custodians Pty Limited | 264,000 | 0.24 |
| Kalori Group Holdings Pty Limited | 250,000 | 0.23 |
| Robyn Stonell | 250,000 | 0.23 |
| Shawland Holdings Pty Limited | 220,000 | 0.20 |
| | 92,258,799 | 83.16 |

**Company Secretary**
Mr R Stonell

**Share Registry**
Computershare Registry Services
60 Carrington Street
Sydney NSW 2000

Tel: (02) 8234 5000

**Stock Exchange Listings**
Mobile Innovations Limited's ordinary shares are quoted by the Australian Stock Exchange Limited.