

# **Mobile Innovations Limited**

ACN 063 582 990

Financial Report for the Half-Year Ended  
31 December 2004

# Mobile Innovations Limited

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## Financial Report for the Half-Year Ended 31 December 2004

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# Mobile Innovations Limited

## Appendix 4D Additional Information For the Half-Year Ended 31 December 2004

### 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 2004

Previous Corresponding Period: Half Year Ended 31 December 2003

		<i>Percentage Change</i>			<i>Amount</i>
		%			\$'000
<b>Revenue and Net Profit</b>					
Revenue from ordinary activities and settlement proceeds (excludes share of net profits of associates accounted for using the equity method)	Up	68%	To	17,736	
Profit from ordinary activities after tax attributable to members	Up	254%	To	7,085	
Net profit attributable to members	Up	254%	To	7,085	

	Half Year Ended 31 Dec 2004	Half Year Ended 31 Dec 2003
Net tangible assets per security (cents per security)	9.2	8.9

<b>Dividends (Distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Special dividend (paid 21 <sup>st</sup> December 2004)	6 cents	100%

### Brief Explanation of Revenue, Net Profit and Dividends

Mobile Innovations' (MOB) revenues increased during the six month period ended 31 December 2004 mainly due to the recognition of \$13.2 million of revenue relating to the settlement of the Agent Service Provider Agreement.

MOB's wholly owned subsidiary MIBroadband Pty Limited trading as "engin" made a loss after tax of \$1.54 million.

MOB paid a 6 cent per share fully franked dividend on 21 December 2004 totalling \$6.751 million.

Cash at bank at 31 December 2004 was \$5.7 million, down \$1.5 million compared to June 2004 principally due to the payment of the special dividend.

# Mobile Innovations Limited

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## Appendix 4D Additional Information For the Half-Year Ended 31 December 2004

### Details Relating to Dividends (Distributions)

		Date dividend paid	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Special dividend	Dec 2004	21 Dec 2004	6	-
	Dec 2003	-	-	-

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

	Dec 2004 ¢	Dec 2003 ¢
Ordinary securities (each class separately)	6	-

### Interim and final dividend (distribution) on all securities

	Dec 2004 \$'000	Dec 2003 \$'000
Ordinary securities (each class separately)	6,751	-
<b>Total</b>	<b>6,751</b>	<b>-</b>

### Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

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

N/A
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# Mobile Innovations Limited

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## Appendix 4D Additional Information For the Half-Year Ended 31 December 2004

### Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	Dec 2004 %	Dec 2003 %	Dec 2004 \$'000	Dec 2003 \$'000
<b>Joint Venture Entities</b>				
Look Mobile Limited	50	50	798	509
<b>Aggregate Share of Profits</b>	N/A	N/A	798	509

### 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 checked="" type="checkbox"/> The accounts have been subject to review. |
| <input 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
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Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A
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# Mobile Innovations Limited

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## Directors' Report

The directors of Mobile Innovations Limited submit herewith the financial report for the half-year ended 31 December 2004. 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:

<b>Name</b>	<b>Particulars</b>
William Jephcott	Chairman, aged 54, joined the board on 15 April 1999 in a non-executive capacity. He is vice-chairman - Mergers and Acquisitions with Merrill Lynch International (Australia) Limited and deputy chairman of ROC Oil Company Limited. He was previously a director of Parbury Limited.
Nigel Bramwell	Non-executive director, aged 47, was managing director of the company from March 1994 to July 2000.
Chris Shaw	Chartered accountant, aged 56, 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 52, joined the board on 25 November 1999. Mr Gamble has been a senior executive of public companies including the Wormald Group, Australis Media Limited, Star City Holdings Limited and Solution 6 Holdings Ltd.

## Review Of Operations

Mobile Innovations Limited ("the Company") is pleased to report a half year profit after tax of \$7.085 million, an increase of 254% compared to the December 2003 result of \$2.786 million.

### Vodafone Proceedings Settlement

During the six month period ended 31 December 2004, the Company reached agreement with Vodafone that resulted in the termination of the Agent Service Provider Agreement (ASP) under which the Company provided various services to Vodafone. Accordingly this reporting period represents the last time that the Company will earn income from Vodafone.

The results include \$13.2 million representing consideration from Vodafone for the termination of the ASP. At 31 December 2004, the Company had been paid \$8.8 million of this consideration. The balance is payable as \$2.4 million plus GST on 1<sup>st</sup> April 2005 and \$2.0 million representing an amount to be retained by bank guarantee to cover any indemnity breach by the Company, which is due on 1<sup>st</sup> April 2006. The directors do not envisage an event to cause an indemnity breach to occur.

Under the termination agreement, Vodafone nominated VIG Employees Pty Limited (VIG), to acquire the remaining customer base managed by the Company. As at the date of this report, the transition of the customer base to VIG is close to final, with minor transitional tasks yet to be completed.

As part of the transition of the mobile phone customer bases to VIG, agreements and net liabilities relating to the provision of customer management services have been novated or transferred to VIG.

# Mobile Innovations Limited

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## Directors' Report Review Of Operations (continued)

The migration of the mobile phone customer bases out of Mobile Innovations Limited and Look Mobile Limited, brings to an end the customer management business activity.

The remaining business assets owned by Mobile Innovations as at the date of this report are its 50% shareholding of Look Mobile Distribution Pty Limited and Look Mobile Limited which are not expected to contribute to profits to the same extent as prior years and “*engin*” a start-up investment utilising Voice over Internet Protocol for the delivery of telephony services over broadband to consumers and cost conscious small businesses.

The board expects the consolidated entity to make a net loss in the second half of the financial year to 30th June 2005 as a result of no further revenue being due with respect to the Vodafone settlement.

### Look Mobile

The Company's 50% share of the Look Mobile Limited joint venture profit was \$0.798 million for the six month period to 31 December 2004. The Company received \$0.550 million fully franked dividends from Look Mobile Limited during this period.

With the termination of the ASP Agreement, the customer base managed under Look Mobile Limited has also been transferred to VIG. Excess cash will be distributed back to the two shareholders once all liabilities are cleared.

Mobile Innovations continues to hold 50% profit sharing equity in Look Mobile Distribution Pty Limited – the NSW and Queensland distributor of Vodafone services to Small / Medium Enterprises (SME's). The board does not expect significant dividends from this business.

### engin

The Company continued to develop its new business venture *engin*, which provides internet telephony services – Voice Over Internet Protocol (VoIP). The steady development of *engin* continues.

The business has a customer base as at 25 February 2005 of 4,000 subscriber services of which 1,600 are on a peer to peer softphone service which generates no revenue. The rate of customer connections continues to grow, the low key launch approach taken to date is designed to ensure backend and network systems are robust in order to provide customers with a high quality service.

*engin* made a net loss after tax of \$1.54 million in the half year to 31 December 2004, reflecting its start up status.

As previously disclosed in the Notice Of Annual General Meeting, the board acknowledges that given the successful commercialisation of the business, additional capital will be required to fund growth in *engin*. The board is currently reviewing funding options for *engin*.

# Mobile Innovations Limited

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## Directors' Report

### Lead Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001


The lead auditor's independence declaration is set out on page 7 and forms part of the Director's Report for the half year ended 31 December 2004.

### 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, 28<sup>th</sup> February 2005

28 February 2005

The Directors  
Mobile Innovations Limited  
431 Warringah road  
Frenchs Forest  
SYDNEY NSW 2086

Dear Directors

## AUDITOR'S INDEPENDENCE DECLARATION TO MOBILE INNOVATIONS LIMITED


In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mobile Innovations Limited.

As lead audit partner for the review of the financial report of Mobile Innovations Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully,

  
DELOITTE TOUCHE TOHMATSU

  
A V Griffiths  
Partner  
Chartered Accountants

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

### Scope

We have reviewed the financial report of Mobile Innovations Limited for the half-year ended 31 December 2004 as set out on pages 9 to 19. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity'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 the disclosing entity 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 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 Innovations Limited 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 2004 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.

  
DELOITTE TOUCHE TOHMATSU

  
A V Griffiths  
Partner  
Chartered Accountants  
Sydney, 28 February 2005

# Mobile Innovations Limited

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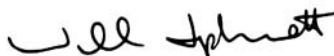
## Directors' Declaration

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, 28<sup>th</sup> February 2005

# Mobile Innovations Limited

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## Statement of Financial Performance For the Half Year Ended 31 December 2004

	Consolidated	
	Dec 2004 \$'000	Dec 2003 \$'000
Revenue from ordinary activities	4,536	7,932
Revenue from settlement proceeds	13,200	2,652
Share of net profits of associates and joint ventures accounted for using the equity method	798	509
Changes in inventories of finished goods and work in progress	263	(15)
Raw materials and consumables used	(902)	(815)
Marketing expenses	(854)	(309)
Employee costs	(3,398)	(2,754)
Communications expense	(591)	(763)
IT maintenance costs	(368)	(269)
Financial institution costs	(232)	(360)
Occupancy costs	(220)	(255)
Bad debt expense and collection costs	(145)	(219)
Legal expenses	(308)	(489)
Depreciation and amortisation expense	(1,205)	(862)
Recoverable amount write down	(100)	-
Borrowing costs	(14)	(21)
Other expenses from ordinary activities	(677)	(286)
<b><i>Profit From Ordinary Activities Before Income Tax Expense</i></b>	9,783	3,676
Income tax expense relating to ordinary activities	(2,698)	(890)
<b><i>Net Profit From Ordinary Activities After Related Income Tax Expense and Attributable to Members of the Parent Entity</i></b>	7,085	2,786
<b><i>Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners</i></b>	7,085	2,786
<b><i>Earnings per share:</i></b>		
Basic (cents per share)	6.30	2.48
Diluted (cents per share)	6.30	2.48

# Mobile Innovations Limited

## Statement of Financial Position As at 31 December 2004

	Note	Dec 2004 \$'000	June 2004 \$'000
<b><i>Current Assets</i></b>			
Cash assets		5,715	7,187
Receivables		6,054	1,544
Inventories		286	23
Other		122	189
		12,177	8,943
<b><i>Non-Current Assets</i></b>			
Investments accounted for using the equity method		383	135
Property, plant and equipment		2,240	2,579
Deferred tax assets		-	1,191
		2,623	3,905
<b><i>Total Current Assets</i></b>		12,177	8,943
<b><i>Total Non-Current Assets</i></b>		2,623	3,905
<b><i>Total Assets</i></b>		14,800	12,848
<b><i>Current Liabilities</i></b>			
Payables		2,193	1,038
Interest-bearing liabilities		238	255
Current tax liabilities		461	920
Provisions		377	303
Other		38	38
		3,307	2,554
<b><i>Total Current Liabilities</i></b>		3,307	2,554
<b><i>Non-Current Liabilities</i></b>			
Interest-bearing liabilities		-	106
Deferred tax liability		953	-
Provisions		143	125
		1,096	231
<b><i>Total Non-Current Liabilities</i></b>		1,096	231
<b><i>Total Liabilities</i></b>		4,403	2,785
<b><i>Net Assets</i></b>		10,397	10,063
<b><i>Equity</i></b>			
Contributed equity		221	221
Retained profits	2	10,176	9,842
		10,397	10,063
<b><i>Total Equity</i></b>		10,397	10,063

# Mobile Innovations Limited

## Statement of Cash Flows For the Half Year Ended 31 December 2004

	Consolidated	
	Dec 2004 \$'000	Dec 2003 \$'000
<b><i>Cash Flows From Operating Activities</i></b>		
Receipts from customers	5,911	6,365
Receipts from settlement	8,800	2,652
Payments to suppliers and employees	(8,033)	(7,817)
Dividends received	550	800
Interest and bill discounts received	167	99
Interest and other costs of finance paid	(14)	(21)
Income tax paid	(1,013)	(488)
Net cash provided by operating activities	6,368	1,590
<b><i>Cash Flows From Investing Activities</i></b>		
Payment for property, plant and equipment	(966)	(36)
Net cash (used in) / provided by investing activities	(966)	(36)
<b><i>Cash Flows From Financing Activities</i></b>		
Repayment of borrowings	(123)	(110)
Dividends paid	(6,751)	(1,688)
Net cash used in financing activities	(6,874)	(1,798)
<b><i>Net (Decrease) / Increase In Cash Held</i></b>	(1,472)	(244)
<b><i>Cash At The Beginning Of The Financial Year</i></b>	7,187	4,999
<b><i>Cash At The End Of The Financial Year</i></b>	5,715	4,755

# Mobile Innovations Limited

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## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

<b>Note</b>	<b>Contents</b>
1	Basis of Preparation
2	Retained Profits
3	Significant Transactions
4	Dividends
5	Segment Information
6	Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

# Mobile Innovations Limited

## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

### 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 2004 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 2004 annual financial report.

<b>Consolidated</b>	
<b>Dec 2004 \$'000</b>	<b>Dec 2003 \$'000</b>

### 2. Retained Profits

Balance at beginning of financial year	9,842	6,997
Net profit attributable to members of the parent entity	7,085	2,786
Dividends accrued for or paid	(6,751)	-
Balance at end of financial period	<u>10,176</u>	<u>9,783</u>

### 3. Significant Transactions

#### Vodafone Proceedings Settlement

During the six month period ended 31 December 2004, the Company reached agreement with Vodafone that resulted in the termination of the Agent Service Provider Agreement (ASP) under which the Company provided various services to Vodafone. Accordingly this reporting period represents the last time that the Company will earn income from Vodafone.

The results include \$13.2 million representing consideration from Vodafone for the termination of the ASP. At 31 December 2004, the Company had been paid \$8.8 million of this consideration. The balance is payable as \$2.4 million plus GST on 1<sup>st</sup> April 2005 and \$2.0 million representing an amount to be retained by bank guarantee to cover any indemnity breach by the Company, which is due on 1<sup>st</sup> April 2006. The directors do not envisage an event to cause an indemnity breach to occur.

Under the termination agreement, Vodafone nominated VIG Employees Pty Limited (VIG), to acquire the remaining customer base managed by the Company. As at the date of this report, the transition of the customer base to VIG is close to final, with minor transitional tasks yet to be completed.

As part of the transition of the mobile phone customer bases to VIG, agreements and net liabilities relating to the provision of customer management services have been novated or transferred to VIG.

# Mobile Innovations Limited

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## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

### 3. Significant Transactions (continued)

The migration of the mobile phone customer bases out of Mobile Innovations Limited and Look Mobile Limited, brings to an end the customer management business activity.

The remaining business assets owned by Mobile Innovations as at the date of this report are its 50% shareholding of Look Mobile Distribution Pty Limited and Look Mobile Limited which are not expected to contribute to profits to the same extent as prior years and “*engin*” a start-up investment utilising Voice over Internet Protocol for the delivery of telephony services over broadband to consumers and cost conscious small businesses.

The board expects the consolidated entity to make a net loss in the second half of the financial year to 30th June 2005 as a result of no further revenue being due with respect to the Vodafone settlement.

#### *engin*

The Company continued to develop its new business venture *engin*, which provides internet telephony services – Voice Over Internet Protocol (VoIP). The steady development of *engin* continues.

The business has a customer base as at 25 February 2005 of 4,000 subscriber services of which 1,600 are on a peer to peer softphone service which generates no revenue. The rate of customer connections continues to grow, the low key launch approach taken to date is designed to ensure backend and network systems are robust in order, to provide customers with a high quality service.

*engin* made a net loss after tax of \$1.54 million in the half year to 31 December 2004, reflecting its start up status.

As previously disclosed in the Notice Of Annual General Meeting, the board acknowledges that given the successful commercialisation of the business, additional capital will be required to fund growth in *engin*. The board is currently reviewing funding options for *engin*.

# Mobile Innovations Limited

## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

2004		2003	
Cents per share	Total \$'000	Cents per share	Total \$'000

### 4. Dividends

#### Fully paid ordinary shares

Recognised amounts:

- Special dividend paid 21st December 2004  
(fully franked)

6.0	6,751	-	-
	6,751		-

### 5. Segment Information

Primary segment information was previously geographical due to the New Zealand operation. The segments are now split by industry, between the Mobile Innovations business (primarily involved in customer management of mobile phone customers on behalf of Vodafone), and the new MIBroadband business which operates as a provider of telecommunication Voice Services.

#### **Information on Business Segments**

	Revenues from External Customers		Results		Assets	
	Dec04 \$'000	Dec03 \$'000	Dec04 \$'000	Dec03 \$'000	Dec04 \$'000	Dec03 \$'000
<i>Mobile Innovations Limited</i>	18,075	10,809	11,834	3,413	17,475	11,802
<i>MIBroadband Pty Limited</i>	292	-	(2,204)	-	2,368	-
<i>Total segments</i>	18,367	10,809	9,630	3,413	19,843	11,802
<i>Eliminations</i>	-	-	-	-	(5,043)	-
<i>Unallocated</i>	167	284	153	263	-	870
<i>Profit from ordinary activities before income tax expense</i>			9,783	3,676		
<i>Income tax expense relating to ordinary activities</i>			(2,698)	(890)		
<i>Net Profit</i>			7,085	2,786		
	18,534	11,093	7,085	2,786	14,800	12,672

# Mobile Innovations Limited

## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

### 5. Segment Information (continued)

	Liabilities		Depreciation		Acquisition of Assets	
	Dec04	Dec03	Dec04	Dec03	Dec04	Dec03
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Mobile Innovations Limited</i>	2,467	1,124	1,060	862	18	36
<i>MIBroadband Pty Limited</i>	5,327	-	145	-	948	-
<i>Total segments</i>	7,794	1,124	1,205	862	966	36
<i>Eliminations</i>	(5,043)	-	-	-	-	-
<i>Unallocated</i>	1,652	1,544	-	-	-	-
	4,403	2,668	1,205	862	966	36

#### **Other Segment Information**

	Australia	
	Dec04	Dec03
	\$'000	\$'000
<i>Carrying value of investments accounted for using the equity method</i>	383	145
<i>Share of net profit of associates &amp; joint venture entities accounted for under the equity method</i>	798	509

## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

### 6. Impact of Adoption of Australian Equivalents To International Reporting Standards

#### *International Financial Reporting Standards*

Mobile Innovations Limited will be required to adopt the Australian equivalents to International Financial Reporting Standards (A-IFRS) for the financial year ending 30 June 2006. The first half year report prepared under A-IFRS will be for the half-year ending 31 December 2005.

The Audit Committee has engaged the Financial Controller to manage the transition to A-IFRS. A high level scoping exercise has been completed, as a part of awareness training to obtain an idea of the effect and effort involved in adopting A-IFRS on the consolidated entity. Part of the scoping exercise involved identifying key areas of impact that will arise on adoption of A-IFRS including financial impact, effort required, and options available to the consolidated entity on first-time adoption of A-IFRS. The consolidated entity intends to conduct a business impact study to determine the approximate impact and best options for the consolidated entity for future reporting periods, and to begin a process to redesign and build systems and processes in order to capture information necessary to allow the preparation of financial statements which are fully compliant with A-IFRS.

The major areas identified to date, that will potentially require change to the consolidated entity's accounting policy includes:

#### Income Tax

A-IFRS sees a shift from the profit and loss approach in determining income tax balances to the balance sheet approach. The new standard, AASB 112 "Income Taxes" ("AASB 112"), is based on the general principle that the current and future tax consequences of all transactions and other events recognised in an entity's Statement of Financial Position give rise to current and deferred tax liabilities and assets.

In practical terms, this means that Mobile Innovations should recognise deferred tax liabilities for all taxable temporary differences (defined as "differences between the tax base of an asset or liability and its carrying amount in the balance sheet"). In addition, AASB 112 requires that a deferred tax asset be recognised for deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and unused tax credits can be utilised.

# Mobile Innovations Limited

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## Notes to the Financial Statements For the Half-Year Ended 31 December 2004

### *International Financial Reporting Standards (continued)*

#### Financial Instruments

Financial instruments, and in particular embedded derivatives, are one of the most complex areas of A-IFRS. However, many of the provisions in relation to financial instruments will have little or no impact on Mobile Innovations as the company does not currently employ hedge accounting or use financial instruments such as derivatives.

The area that will require further analysis is embedded derivatives, as the definition of an embedded derivative (AASB 139 “Financial Instruments – Recognition and Measurement” - “a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative”) is such that many existing contracts in the business, including supply agreements, leases, loans and purchase contracts, may contain such items.

Based on initial investigation, it is not envisaged that Mobile Innovations will have any embedded derivatives, however detailed analysis will be performed under which all contracts are reviewed and documented to ensure that no such items exist.

#### Impairment of Assets

Non-current assets are written down to recoverable amount when the asset’s carrying amount exceeds recoverable amount.

Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the consolidated entity has not yet determined the impact, if any of any further impairment, which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Management believe that it is unlikely that there will be any impairment of assets.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to A-IFRS.