

Financial Statements

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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 monthly meetings or as required in the case of special investigations.

The board currently comprises five directors:

William Jephcott	Non-executive Chairman
Jonathan Marchbank	CEO and 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 12, together with the details of meetings and attendances on page 15.

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 Executive Director sits on the nomination committee as a full member and attends the meetings of the other committees by invitation.

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.

Corporate Governance Statement

SHAREHOLDINGS

Directors' shareholdings in the company are shown on page 15.

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 and executive directors.

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 made available on the company's internet site at <http://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 2001. 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 or since the end of the financial year are:

Name	Particulars
William Jephcott	Chairman, aged 51, joined the board on 15 April 1999 in a non-executive capacity and is currently a senior advisor with Merrill Lynch International (Australia) Limited. He is the deputy chairman of ROC Oil Company Limited.
Nigel Bramwell Chris Shaw	Non-executive director, aged 44, was managing director of the company from March 1994 to July 2000. Chartered accountant, aged 52, joined the board in 1994 in a non-executive capacity, and is an executive director of Innovations Holdings Pty Limited.
Neil Gamble	Non-executive director, aged 49, joined the board on 25 November 1999. Neil 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 Ltd and is a non-executive director of Stargames Ltd and Hartley Poynton JDV Ltd.
Jonathan Marchbank	Executive director, aged 36, joined the company in January 2000 as managing director, mobiles. Mr Marchbank was promoted to CEO of the company in July 2000.

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.

In July 2000 Mobile Innovations Limited signed a one year agreement with Telecom New Zealand Limited. Under the terms of this agreement Mobile Innovations Limited acquires mobile customers for Telecom New Zealand Limited and receives an ongoing margin of customer airtime revenue.

In August 2000 Mobile Innovations Limited entered into a joint venture agreement with Clarinet Communications Pty Limited to start a retail service provider business. Using a retail dealer network, Clarinet Communications Pty Limited performs the customer acquisition function and Mobile Innovations Limited manages the customers of the joint venture. All customers are connected to the Vodafone network and the business trades as 'Look Mobile Limited'.

In December 2000, the company sold its long distance customer base to World Exchange.

REVIEW OF OPERATIONS

A review of operations of the consolidated entity during the financial year and the results of those operations show a 30% increase in net profit after tax over the 2000 trading results. Revenue from ordinary activities increased by 33% from \$47.2m for the year ended 30 June 2000 to \$63.2m for the year ended 30 June 2001.

The total number of Vodafone subscribers under management increased by 48% from 130,900 at the beginning of the year to 193,500 at 30 June 2001.

In February 2001, Mobile Innovations New Zealand Limited ("MINZ") signed a letter of intent to form a joint venture with Telecom Mobile ("TM"), Telecom New Zealand Limited's wholly owned mobile business. The intention of the joint venture was to capitalise on MINZ's direct marketing skills and TM's customer database and acquisition power. In June 2001, TM decided not to proceed with the joint venture. MINZ contributed over \$2.5m to revenues from ordinary activities, and \$757,000 of losses were incurred to 30 June 2001.

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.

Directors' Report

SUBSEQUENT EVENTS

On Tuesday 21 August 2001, Mobile Innovations announced that it had initiated legal proceedings in the New South Wales Supreme Court against Vodafone Network Pty Ltd. The company is seeking orders that Vodafone comply with the terms of the Agent Service Provider Agreement.

As a result of TM's decision not to proceed with a proposed joint venture, the Board of Mobile Innovations decided on 23 July 2001 to close MINZ. MINZ is expected to incur further trading losses of approximately \$150,000 for the year ended 30 June 2002.

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 2000, no dividends were paid.

In respect of the full 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.

The directors do not recommend the payment of a final dividend in respect of the financial year ended 30 June 2001.

SHARE OPTIONS

Share Options Granted to Directors and Executives

During and since the end of the financial year an aggregate of 900,000 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
W Jephcott	–	Mobile Innovations Limited	1,500,000
N Gamble	–	Mobile Innovations Limited	500,000
J H Marchbank ^(a)	250,000	Mobile Innovations Limited	750,000
L Jones	100,000	Mobile Innovations Limited	400,000
R Stonell ^(b)	150,000	Mobile Innovations Limited	450,000
C Statham ^(b)	100,000	Mobile Innovations Limited	400,000
I.Tales ^(c)	300,000	Mobile Innovations Limited	300,000

^(a) Executive options granted at the Annual General meeting held on 18 October 2000.

^(b) Issued under the executive share option plan II.

^(c) Issued 150,000 under the executive share option plan II and 150,000 under the executive and employee share option plan.

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 6,310,000 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 within the period which commences on the date which is:

- for 50% (at the directors' discretion, 100% for holders of 50,000 or fewer options) of the options, 12 months;
- for the remaining options, 24 months,

after 22 June 1999, which was the date of the company's listing on the Australian Stock Exchange. These options expire on the earlier of:

- five years from the date of issue;
- 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.

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 1,825,000 ordinary shares⁽³⁾ 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 within the period which commences on the date which is 12 months from issue date being 16 August 2000. These options expire on the earlier of:

- five years from the date of issue; 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.

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 or the executive share option plan II. There were 100,000 options⁽²⁾ exercised during the year under the key executive share option plan resulting in 100,000 ordinary shares being issued at 1 cent per ordinary share.

(1) 6,160,000 of these options were issued in the prior year and their value using the Black-Scholes pricing model was \$0.51 per option and 150,000 of these options were issued in the current year and their value using the Black-Scholes pricing model was \$0.09 per option *

(2) The value of these options using the Black-Scholes pricing model was \$0.99 per option.*

(3) 1,425,000 of these options were issued in the prior year and the value of these options using the Black-Scholes pricing model was \$0.20 per option and 250,000 and 150,000 of these options were issued in the current year and the value of these options using the Black-Scholes pricing model were \$0.18 and \$0.11 per option respectively.*

* These options are valued in accordance with accounting standards at the date the options are granted.

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 following), the company secretary, Mr Ralph Stonell, 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, 11 board meetings, 2 audit committee meetings, and 1 compensation committee meeting were held.

Directors	Board of Directors		Audit		Compensation Committee	
	Held	Attended	Held	Attended	Held	Attended
W Jephcott	11	11	2	2	1	1
N Bramwell	11	11	2	2	1	1
J Marchbank	11	11	2	2	1	1
C Shaw	11	11	2	2	1	1
N Gamble	11	9	2	1	1	-

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.

Directors	Direct Holding	Fully Paid Ordinary Shares		Executive Share Options
		Indirect Holding		
W Jephcott	-	260,000		1,500,000
N Bramwell	40,116	38,950,550 ⁽ⁱ⁾		-
J Marchbank	100,000	-		750,000
C Shaw	-	39,180,550 ⁽ⁱⁱ⁾		-
N Gamble	-	310,000		500,000

⁽ⁱ⁾ A related party of Mr Bramwell has a non-controlling interest in Haley BV, which holds the shares in the company. Haley BV purchased 100,500 shares during the year.

⁽ⁱⁱ⁾ Mr Shaw holds an approximate 48% interest in 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 150,000 shares as at June 2001.

DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Remuneration packages contain the following key elements:

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

From time to time, share options are issued in accordance the executive and employee share option plans as disclosed in note 7 to the financial statements. For the purposes of directors' and executives' remuneration below and in notes 5 and 6 to the financial statements, these options have been valued at \$nil. The values of the share options granted using the Black-Scholes pricing model method have been disclosed below.

The following table discloses the remuneration of the directors of the company and the 5 highest remunerated executives of the company and consolidated entity.

Name	Office	Salary/Fees \$	Benefits \$	Total \$	Options Awarded (Number)	Options Held (Number)
W Jephcott	Non-executive director	50,000	4,000	54,000	–	1,500,000
N Bramwell	Non-executive director	120,000	0	120,000	–	–
C Shaw ⁽ⁱ⁾	Non-executive director	30,000	2,400	32,400	–	–
J Marchbank	Executive director	351,589	28,000	379,589	⁽ⁱⁱⁱ⁾ 250,000	750,000
N Gamble	Non-executive director	30,000	2,400	32,400	–	500,000
R Stonell	Executive	151,221	41,610	192,831	⁽ⁱⁱⁱ⁾ 150,000	450,000
L Jones	Executive	147,223	23,640	170,863	⁽ⁱⁱⁱ⁾ 100,000	400,000
C Statham	Executive	115,560	49,657	165,217	⁽ⁱⁱⁱ⁾ 100,000	400,000
I Tales	Executive	134,552	21,825	156,477	^(iv) 300,000	300,000
S Ikeda	Executive	115,341	25,280	140,621	⁽ⁱⁱⁱ⁾ 100,000	150,000

⁽ⁱ⁾ Refer note 34 of the financial statements for details of related party transactions.

⁽ⁱⁱ⁾ The value of these options using the Black-Scholes pricing model was \$0.20 per option.

⁽ⁱⁱⁱ⁾ The value of these options using the Black-Scholes pricing model was \$0.18 per option.

^(iv) Mr I Tales was issued 150,000 options under the Executive share option plan II and 150,000 under the Employees and Executive share option plan. The value of the options using the Black-Scholes pricing model was \$0.11 and \$0.09 per option respectively.

ROUNDING OFF OF AMOUNTS

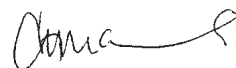
The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

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
Chief Executive Officer

SYDNEY, 19 September 2001

Scope

We have audited the financial report of Mobile Innovations Limited for the financial year ended 30 June 2001 as set out on pages 18 to 41. 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.

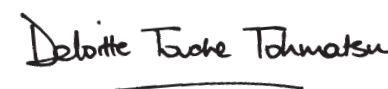
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial 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 issued in Australia and other mandatory professional reporting requirements 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:

- the Corporations Act 2001, including:
 - giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - complying with Accounting Standards and the Corporations Regulations; and
- other mandatory professional reporting requirements.


DELOITTE TOUCHE TOHMATSU


A V Griffiths
Partner
Chartered Accountants

SYDNEY, 19 September 2001

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

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 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 made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Mr W Jephcott
Chairman

Mr J Marchbank
Chief Executive Officer

SYDNEY, 19 September 2001

Statement of Financial Performance for the Financial Year Ended 30 June 2001

	Note	Consolidated		Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from ordinary activities		63,224	47,267	60,054	46,416
Share of net losses of associates and joint ventures accounted for using the equity method		(413)	–	–	–
Changes in handset inventories		(1,246)	985	(1,256)	985
Consumables used		(26,150)	(19,727)	(23,579)	(19,727)
Employee costs		(11,154)	(7,848)	(10,623)	(7,812)
Marketing expense		(8,225)	(7,905)	(7,974)	(6,872)
Communications expense		(3,668)	(3,042)	(3,538)	(3,021)
Depreciation and amortisation expense		(1,861)	(1,304)	(1,754)	(1,256)
Financial institution costs		(1,363)	(1,010)	(1,341)	(991)
Occupancy costs		(845)	(759)	(707)	(759)
Borrowing costs		(53)	(25)	(50)	(25)
Other expenses from ordinary activities		(3,012)	(2,633)	(3,658)	(3,431)
Profit From Ordinary Activities Before Income Tax Expense	2	5,234	3,999	5,574	3,507
Income tax expense relating to ordinary activities	4	(2,229)	(1,695)	(2,034)	(1,901)
Net Profit Attributable to Members of the Parent Entity		3,005	2,304	3,540	1,606
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		3,005	2,304	3,540	1,606
Earnings Per Share - Basic (cents per share)	27	2.7	2.1		

Statement of Financial Position as at 30 June 2001

	Note	Consolidated		Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current Assets					
Cash assets		1,167	3,078	954	2,967
Receivables	9	5,924	6,591	5,823	6,469
Inventories	10	414	1,660	404	1,660
Other	11	236	717	218	717
Total Current Assets		7,741	12,046	7,399	11,813
Non-Current Assets					
Investments accounted for using the equity method	12	387	-	-	-
Other financial assets	13	-	-	387	-
Property, plant and equipment	14	7,119	5,023	7,056	4,629
Total Non-Current Assets		7,506	5,023	7,443	4,629
Total Assets		15,247	17,069	14,842	16,442
Current Liabilities					
Payables	16	5,809	10,630	5,570	10,495
Interest-bearing liabilities	17	198	58	198	58
Current tax liabilities	18	1,208	863	1,208	1,048
Provisions	19	352	289	352	289
Other	20	44	58	41	58
Total Current Liabilities		7,611	11,898	7,369	11,948
Non-Current Liabilities					
Interest-bearing liabilities	21	788	344	788	344
Deferred tax liabilities	22	13	41	13	62
Provisions	23	224	71	224	71
Total Non-Current Liabilities		1,025	456	1,025	477
Total Liabilities		8,636	12,354	8,394	12,425
Net Assets		6,611	4,715	6,448	4,017
Equity					
Contributed equity	25	109	108	109	108
Retained profits	26	6,502	4,607	6,339	3,909
Total Equity		6,611	4,715	6,448	4,017

Notes to the financial statements are included on pages 22 to 41.

Statement of Cash Flows for the Financial Year Ended 30 June 2001

	Note	Consolidated Inflow (Outflows)		Company Inflow (Outflows)	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash Flows From Operating Activities					
Receipts from customers		69,920	45,008	66,272	42,001
Payments to suppliers and employees		(64,294)	(35,945)	(60,465)	(34,326)
Interest and bill discounts received		111	187	99	185
Interest and other costs of finance paid		(53)	(25)	(50)	(25)
Income tax paid		(1,786)	(6,089)	(1,786)	(6,089)
Net cash provided by operating activities	36(d)	3,898	3,136	4,070	1,746
Cash Flows From Investing Activities					
Payment for property, plant and equipment		(3,512)	(4,615)	(3,660)	(4,159)
Proceeds from sale of property, plant and equipment		-	40	-	40
Loan to other entities		(322)	-	(363)	-
Payment for purchases of equity investments		(800)	-	(800)	-
Proceeds from sales (Payment for costs incurred on purchase) of subscriber base		85	(823)	-	-
Net cash used in investing activities		(4,549)	(5,398)	(4,823)	(4,119)
Cash Flows From Financing Activities					
Proceeds from issues of equity securities		1	8	1	8
Proceeds from borrowings		-	446	-	446
Repayment of borrowings		(151)	(1,278)	(151)	(1,278)
Dividends paid - members of the parent entity		(1,110)	(7,000)	(1,110)	(7,000)
Net cash used in financing activities		(1,260)	(7,824)	(1,260)	(7,824)
Net decrease in Cash Held		(1,911)	(10,086)	(2,013)	(10,197)
Cash At The Beginning Of The Financial Year		3,078	13,164	2,967	13,164
Cash At The End Of The Financial Year	36(a)	1,167	3,078	954	2,967

Notes to the financial statements are included on pages 22 to 41.

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 economic 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) Comparative Amounts

The economic entity has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosure" and AASB 1040 "Statement of Financial Position" for the first time in the preparation of this financial report. In accordance with the requirements of these new/revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the company or economic entity as reported in the prior year financial report.

(e) 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

(f) 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 economic entity in respect of services provided by employees up to the reporting date.

(g) 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.

(h) Goods and Services Tax

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

- 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
- 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.

(i) 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.

(j) 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.

(k) Inventories

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

(l) 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.

(m) 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.

(n) 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.

(o) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic 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 32 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

1. SUMMARY OF ACCOUNTING POLICIES (cont.)**(o) Principles of Consolidation (cont.)**

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 economic entity are eliminated in full.

(p) Receivables

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

(q) Recoverable Amount of Non-Current Assets

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

(r) Revenue Recognition**Sale of Goods and Disposal of Assets**

Revenue from the sale of goods and disposal of other assets is recognised when the economic 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.

Rendering of Services - Long Distance Reseller Agreement

Revenue from the contract with Cable & Wireless Optus Limited is recognised with reference to billings made by the subscribers connected to the Cable & Wireless Optus long distance network.

(s) Adoption of an AASB Standard before its Application Date

The directors have elected under section 334(5) of the Corporations Act 2001 to apply revised Accounting Standard 1041 "Revaluation of Non-current Assets" for the financial year ended 30 June 2001, even though the standard is not required to be applied until annual reporting periods ending on or after 30 September 2001.

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'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	123	12	123	12
Rendering of services	62,849	47,003	59,624	45,573
	62,972	47,015	59,747	45,585
Rental revenue:				
Other rental revenue	3	9	3	9
Interest revenue:				
Other entities	111	203	99	202
Management fees:				
Wholly-owned controlled entities	-	-	187	580
Net foreign exchange gain	18	-	18	-
	63,104	47,227	60,054	46,376
(b) Non-Operating Revenue				
Proceeds from the sale of long distance customer base	120	-	-	-
Property, plant & equipment	-	40	-	40
	120	40	-	40
	63,224	47,267	60,054	46,416
(c) Expenses				
Cost of Sales	27,396	18,742	24,835	18,742
Borrowing Costs				
Interest:				
Other entities	3	3	-	3
Finance lease finance charges	50	22	50	22
	53	25	50	25
Net bad and doubtful debts arising from:				
Other entities	516	335	519	265
Impairments of non-current assets:				
Investments	-	-	413	-
Property, plant and equipment	290	-	214	-
	290	-	627	-
Depreciation and amortisation of non-current assets:				
Billing system	976	806	976	745
Other plant and equipment	719	449	612	449
Equipment under finance lease	166	49	166	49
Long distance customer base	-	128	-	-
	1,861	1,432	1,754	1,243
Operating lease rental expenses:				
Minimum lease payments	231	171	231	171
Equity share of joint venture entity's loss (note 12)	413	-	-	-

2. Profit From Ordinary Activities (cont.)

Net transfers to provisions:				
Employee entitlements	78	224	78	224

(d) Revision of Accounting Estimate

During the financial year the directors reassessed the useful life of the billing system from 3 years to 5 years. The financial effect of this reassessment, assuming the assets are held until the end of their useful lives, is to decrease/(increase) consolidated depreciation expense in the current financial year and for the next 5 years by the following amounts:

	\$'000s	
2001	524	
2002	413	
2003	361	
2004	(208)	
2005	(735)	
2006	(355)	

3. Sales of Assets

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

Net Profits				
Long distance customer base	120	-	-	-
	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Losses				
Property, plant and equipment	-	15	-	15
	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'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	5,234	3,999	5,574	3,507
Income tax expense calculated at 34% (2000: 36%) of operating profit	1,780	1,440	1,895	1,262
Permanent Differences:				
Non-deductible expenses	5	258	5	6
Timing differences and tax losses not brought to account as future income tax benefits	250	-	308	636
Equity share of joint venture entity's loss	140	-	-	-
Effect of lower tax rates of tax on overseas income	8	-	-	-
Tax losses transferred from controlled entity for no consideration	-	-	(217)	-
Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 36% to 34% (effective 1 July 2000) and 30% (effective 1 July 2001)	-	(3)	-	(3)
	403	255	96	639
Under provision of income tax in previous year	46	-	43	-
Income tax expense attributable to operating profit	<u>2,229</u>	<u>1,695</u>	<u>2,034</u>	<u>1,901</u>
(b) Future income tax benefits not brought to account as assets:				
Tax losses – revenue	250	-	-	-
Timing differences	-	-	308	636
	<u>250</u>	<u>-</u>	<u>308</u>	<u>636</u>

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

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- 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		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
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			618,389	671,299
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 economic entity, directly or indirectly, by the entities in which they are directors or by any related party	618,389	671,299		
The number of directors of the company whose total income falls within each successive \$10,000 band of income (commencing at \$0):			2001 No	2000 No
\$0 - \$9,999			-	2
\$10,000 - \$19,999			-	1
\$30,000 - \$39,999			2	-
\$50,000 - \$59,999			1	1
\$120,000 - \$129,999			1	-
\$150,000 - \$159,999			-	1
\$370,000 - \$379,999			1	-
\$430,000 - \$439,999			-	1

6. Executives' Remuneration

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

Aggregate remuneration of executive officers of each entity in the economic 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

	Consolidated		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
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			826,009	650,213
Aggregate remuneration of executive officers of each entity in the economic 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	826,009	650,213		
The number of executive officers whose remuneration falls within each successive \$10,000 band of income (commencing at \$100,000):	No.	No.	No.	No.
\$100,000 - \$109,999	-	1	-	1
\$120,000 - \$129,999	-	2	-	2
\$140,000 - \$149,999	2	2	2	2
\$150,000 - \$159,999	1	-	1	-
\$170,000 - \$179,999	1	-	1	-
\$190,000 - \$199,999	1	-	1	-

7. Executive And Employee Share Option Plan

In accordance with the provisions of the executive and employee share option plan, as at the date of this report, executives and employees are entitled to purchase an aggregate of 6,310,000 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 within the period which commences on the date which is:

- for 50% (at the directors' discretion, 100% for holders of 50,000 or fewer options) of the options, 12 months;
 - for the remaining options, 24 months,
- after 22 June 1999, which is the date of the company's listing on the Australian Stock Exchange. These options expire on the earlier of:
- five years from the date of issue;
 - the date which the optionholder ceases to be an employee of the company or any of its subsidiaries other than as a result of the death of the optionholder.

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 1,825,000 ordinary shares(3) 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 within the period which commences on the date which is 12 months from issue date being 16 August 2000. These options expire on the earlier of:

- five years from the date of issue; 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.

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 or the executive share option plan II. There were 100,000 options(2) exercised during the year under the key executive share option plan resulting in 100,000 ordinary shares being issued at 1 cent per ordinary share.

(1) 6,160,000 of these options were issued in the prior year and their value using the Black-Scholes pricing model was \$0.51 per option and 150,000 of these options were issued in the current year and their value using the Black-Scholes pricing model was \$0.09 per option *

(2) The value of these options using the Black-Scholes pricing model was \$0.99 per option *

(3) 1,425,000 of these options were issued in the prior year and the value of these options using the Black-Scholes pricing model was \$0.20 per option and 250,000 and 150,000 of these options were issued in the current year and the value of these options using the Black-Scholes pricing model were \$0.18 and \$0.11 per option respectively *

* These options are valued in accordance with accounting standards at the date the options are granted.

	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
8. Remuneration of Auditors				
(a) Auditor of the Parent Entity				
Auditing the financial report	85,000	65,000	85,000	65,000
Other services	50,000	-	50,000	-
	135,000	65,000	135,000	65,000
(b) Other Auditors				
Auditing the financial report	25,900	-	-	-
	25,900	-	-	-
	160,900	65,000	135,000	65,000
9. Current Receivables				
Trade receivables	5,773	6,434	5,604	6,251
Allowance for doubtful debts	(431)	(216)	(390)	(155)
	5,342	6,218	5,214	6,096
Non-trade receivable from joint venture entity	322	-	322	-
Non trade receivables from wholly owned controlled entity	-	-	834	1,769
Allowance for doubtful debts – wholly owned controlled entity	-	-	(793)	(1,769)
	322	-	363	-
Accrued income	84	363	84	363
Other sundry debtors	176	10	162	10
	5,924	6,591	5,823	6,469
10. Current Inventories				
Finished goods				
At cost	497	1,735	454	1,735
Provision for obsolescence	(83)	(75)	(50)	(75)
	414	1,660	404	1,660
At net realisable value				
11. Other Current Assets				
Prepayments	236	717	218	717

Notes to the Financial Statements for the Financial Year Ended 30 June 2001

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount	
		2001 %	2000 %	2001 \$'000	2000 \$'000
12. Investments Accounted For Using The Equity Method					
Joint Venture Entity Look Mobile Limited	Mobile Telephone Dealer Channel Dealer Channel	50%	–	387	–
				Consolidated	
				2001	2000
				\$'000	\$'000
Movement in Investment in Joint Venture Entity					
Carrying amount of investment at the beginning of financial year				–	–
Acquisition of interests in joint venture entity				800	–
Share of net loss				800	–
				(413)	–
Equity accounted amount of investment at the end of financial year				387	–
Share of Assets and Liabilities of Joint Venture Entity					
Current assets					
Cash				109	–
Receivables				715	–
Inventories				45	–
Non-current assets					
Plant and equipment				94	–
Current liabilities					
Payables				(573)	–
Non-current liabilities					
Provisions				(3)	–
Net Assets				387	–
Share of Net Loss of Joint Venture Entity					
Revenue from ordinary activities				4,768	–
Expenses from ordinary activities				(5,181)	–
Loss from ordinary activities before income tax				(413)	–
Income tax expense relating to ordinary activities				–	–
Net loss				(413)	–
Share of Reserves of Joint Venture Entity					
Retained profits				–	–
at the beginning of financial year				–	–
at the end of financial year				(413)	–
The economic entity's share of the contingent liabilities of the joint venture entity is disclosed in note 29 to the financial statements.					
		Consolidated		Company	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000

13. Other Non-Current Financial Assets

Shares in controlled entities (note32)	–	–	–	–
Investment in joint venture entity (i)	–	–	800	–
Less: Provision for diminution	–	–	(413)	–
	–	–	387	–

(i) The company holds a 50% investment in Look Mobile Limited, which is accounted for under the cost method. A provision for diminution of \$413,000 was raised to reflect the company's share of net assets of Look Mobile Limited at 30 June 2001.

Notes to the Financial Statements for the Financial Year Ended 30 June 2001

	Consolidated			Total
	Billing System	Other Plant and Equipment	Equipment under finance lease	
	\$'000	\$'000	\$'000	\$'000
14. Property, Plant and Equipment				
Gross Carrying Amount				
Balance at 30 June 2000	3,781	3,260	446	7,487
Additions	2,326	1,186	735	4,247
Balance at 30 June 2001	6,107	4,446	1,181	11,734
Accumulated Depreciation / Amortisation				
Balance at 30 June 2000	(1,228)	(1,187)	(49)	(2,464)
Recoverable amount write-downs	–	(290)	–	(290)
Depreciation expense	(976)	(719)	(166)	(1,861)
Balance at 30 June 2001	(2,204)	(2,196)	(215)	(4,615)
Net Book Value				
As at 30 June 2000	2,553	2,073	397	5,023
As at 30 June 2001	3,903	2,250	966	7,119
Company				
	Billing System	Other Plant and Equipment	Equipment under finance lease	Total
	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount				
Balance at 30 June 2000	3,326	3,260	446	7,032
Additions	2,326	940	735	4,001
Transfer of assets from controlled entity	394	–	–	394
Balance at 30 June 2001	6,046	4,200	1,181	11,427
Accumulated Depreciation / Amortisation				
Balance at 30 June 2000	(1,167)	(1,187)	(49)	(2,403)
Recoverable amount write-downs	–	(214)	–	(214)
Depreciation expense	(976)	(612)	(166)	(1,754)
Balance at 30 June 2001	(2,143)	(2,013)	(215)	(4,371)
Net Book Value				
As at 30 June 2000	2,159	2,073	397	4,629
As at 30 June 2001	3,903	2,187	966	7,056

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

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
15. Assets Pledged as Security				
The economic entity does not hold title to the equipment under finance lease pledged as security.				
16. Current Payables				
Trade payables	4,159	9,605	4,120	9,605
Goods and Services Tax (GST) payable	358	3	354	3
Other payables and accruals	1,292	1,022	1,096	887
	<u>5,809</u>	<u>10,630</u>	<u>5,570</u>	<u>10,495</u>
17. Current Interest-Bearing Liabilities				
Secured: (i)				
Finance lease liabilities (note 30)	198	58	198	58
(i) Secured by the assets leased, the current market value of which exceeds the finance lease liability.				
18. Current Tax Liabilities				
Income tax payable	1,208	863	1,208	1,048
19. Current Provisions				
Employee entitlements (note 24)	352	289	352	289
20. Other Current Liabilities				
Customer refundable deposits	44	58	41	58
21. Non-Current Interest-Bearing Liabilities				
Secured: (i)				
Finance lease liabilities (note 30)	788	344	788	344
(i) Secured by the assets leased, the current market value of which exceeds the finance lease liability.				
22. Deferred Tax Liabilities				
Deferred income tax	13	41	13	62
Provision for deferred income tax has been reduced by the future income tax benefit attributable to timing differences of \$92,000.				
23. Non-Current Provisions				
Income tax payable	138	–	138	–
Employee entitlements (note 24)	86	71	86	71
	<u>224</u>	<u>71</u>	<u>224</u>	<u>71</u>
24. Employee Entitlements				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements:				
Current (note 19)	352	289	352	289
Non-current (note 23)	86	71	86	71
	<u>438</u>	<u>360</u>	<u>438</u>	<u>360</u>
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>
Number of employees at end of financial year	170	175	165	175

25. Contributed Equity

Contributed Equity
111,012,100 fully paid ordinary shares
(2000: 110,912,100)

	2001	2000	2001	2000
	No. '000	\$'000	No. '000	\$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	110,912	108	110,112	100
Issue of shares under executive and employee share option plan (note 7)	100	1	800	8
Balance at end of financial year	<u>111,012</u>	<u>109</u>	<u>110,912</u>	<u>108</u>

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	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
26. Retained Profits				
Balance at beginning of financial year	4,607	2,303	3,909	2,303
Net profit	3,005	2,304	3,540	1,606
Dividends provided for or paid	(1,110)	–	(1,110)	–
Balance at end of financial year	<u>6,502</u>	<u>4,607</u>	<u>6,339</u>	<u>3,909</u>

27. Earnings Per Share

	Consolidated	
	2001	2000
	Cents per Share	Cents per Share
Basic earnings per share	2.7	2.1
Diluted earnings per share is not materially different from basic earnings per share and therefore is not disclosed in the financial statements.		
	<u>2001</u>	<u>2000</u>
	<u>No.</u>	<u>No.</u>
	<u>000's</u>	<u>000's</u>
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	110,987	110,912

Information Concerning the Classification of Securities

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. These securities are included in the determination of diluted earnings per share on that basis that each option will convert to one ordinary share.

34. 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 32 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 is disclosed in note 5 to the financial statements.

	Fully Paid Ordinary Shares		Executive Share Options	
	2001	2000	2001	2000
(c) Directors' Equity Holdings				
Issued during the financial year to directors and their director-related entities by:				
Mobile Innovations Limited	393,000	553,000	250,000	1,000,000
	<u>393,000</u>	<u>553,000</u>	<u>250,000</u>	<u>1,000,000</u>
Held as at the reporting date by directors and their director-related entities by:				
Mobile Innovations Limited	78,783,216	78,353,300	2,750,000	2,500,000

(d) Other Transactions With Directors

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

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:

Rental revenue	-	9	-	9
Other revenue	-	17	-	17
Administration expenses	312	271	57	271
Management and marketing expenses	354	295	354	276
Recruitment and staffing expenses	144	349	144	349
Customer introduction expenses	86	160	86	160
Rental expenses	780	265	736	265
Payroll costs	160	-	-	-
Telephone expenses	48	-	48	-

All transactions were under normal commercial terms and conditions.

During the year 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.

34. Related Party Disclosures (cont.)**(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 \$1,183,027 (2000: nil).

During the financial year Mobile Innovations Limited provided administrative and accounting services at cost to Look Mobile Limited which totalled \$201,096 (2000: nil).

During the financial year the company sold handset inventories to Look Mobile Limited at cost, which totalled \$705,477 (2000: nil)

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.

35. Subsequent Events

On Tuesday 21 August 2001, Mobile Innovations announced that it had initiated legal proceedings in the New South Wales Supreme Court against Vodafone. The company is seeking orders that Vodafone comply with the terms of the Agent Service Provider Agreement.

As a result of Telecom New Zealand Limited's decision not to proceed with a proposed joint venture, the Board of Mobile Innovations Limited decided on 23 July 2001 to close Mobile Innovations New Zealand Limited ("MINZ"). MINZ is expected to incur further trading losses of approximately \$150,000 for the year ended 30 June 2002.

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
36. 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	1,167	3,078	954	2,967
(b) Businesses Acquired				
During the prior financial year, one business was acquired. Details of the acquisition are as follows:				
Consideration				
Cash	-	823	-	-
Fair Value of Net Assets Acquired				
Current assets				
Customer subscriber base	-	823	-	-
Net assets acquired				
	-	823	-	-
Net Cash Outflow on Acquisition				
Cash consideration	-	823	-	-
(c) Non-Cash Financing and Investing Activities				
During the year the company acquired property, plant & equipment valued at \$735,000 by means of a finance lease. Only the current year repayments have been reflected in the statement of cash flows.				
(d) 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	3,005	2,304	3,540	1,606
(Profit)/loss on sale of non-current assets	(85)	15	-	15
Share of joint venture entities loss	413	-	-	-
Depreciation and amortisation of non-current assets	1,861	1,432	1,754	1,243
Impairment of property, plant and equipment	290	-	214	-
Diminution in value of investment	-	-	413	-
Abnormal loss on write off of G3 subscriber base	-	695	-	-
Increase/(decrease) in income tax payable	483	(4,276)	298	(4,091)
Decrease in tax balances	(28)	(117)	(49)	(96)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
current receivables	989	(1,907)	1,009	(1,785)
current inventories	1,246	(985)	1,256	(985)
other current assets	481	(453)	499	(453)
Increase/(decrease) in liabilities:				
current trade payables	(4,821)	6,159	(4,925)	6,023
other current liabilities	49	233	46	233
other non-current liabilities	15	36	15	36
Net cash from operating activities	3,898	3,136	4,070	1,746

37. 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 economic entity's exposure to interest rate risk as at 30 June 2001:

2001 Interest Rate	Average Interest Rate %	Variable than \$'000	Fixed Interest Rate Maturity			Non- interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'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
Employee entitlements	-	-	-	-	-	438	438
Income tax payable	-	-	-	-	-	1,346	1,346
			-	198	788	-	7,593
			-	198	788	-	8,579

The following table details the economic entity's exposure to interest rate risk as at 30 June 2000:

2001 Interest Rate	Average Interest Rate %	Variable than \$'000	Fixed Interest Rate Maturity			Non- interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	5.17	2,942	-	-	-	-	2,942
Trade receivables	-	-	-	-	-	6,591	6,591
Bills of exchange	4.65	136	-	-	-	-	136
			3,078	-	-	6,591	9,669
Financial Liabilities							
Trade payables	-	-	-	-	-	10,630	10,630
Finance lease liabilities	7.92	-	58	344	-	-	402
Employee entitlements	-	-	-	-	-	360	360
Income tax payable	-	-	-	-	-	863	863
			-	58	344	-	11,853
			-	58	344	-	12,255

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic 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 economic entity measures credit risk on a fair value basis.

The economic 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 economic 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.

38. Additional Company Information

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

Additional Stock Exchange Information as at 30 August 2001

Number of Holders of Equity Securities

Ordinary Share Capital

- 111,012,100 fully paid ordinary shares are held by 2,527 individual shareholders.
- All issued ordinary shares carry one vote per share

Options

- 8,135,000 options are held by 48 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	154	0
1,001	–	5,000	746	1
5,001	–	10,000	263	1
10,001	–	100,000	321	25
100,001		and over	33	21
			1,517	48
		Holding less than a marketable parcel	1,010	0

Substantial Shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Haley BV	38,950,050	35.09
Innovations Holdings Pty Limited	38,950,050	35.09
Citicorp Nominees Pty Limited	7,387,484	6.65
	85,287,584	76.83

Additional Stock Exchange Information as at 30 August 2001

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Haley BV	38,950,050	35.09
Innovations Holdings Pty Limited	38,950,050	35.09
Citicorp Nominees Pty Limited	7,387,484	6.65
Pure Warm Pty Limited	2,118,793	1.91
National Nominees Limited	1,603,000	1.44
Ancil Limited	1,325,000	1.19
G & H Custodians Pty Limited	659,560	0.59
Nicholas Burton Taylor	500,000	0.45
Anthony Mark Van Der Steeg	419,864	0.38
Lookhaven Pty Limited	415,000	0.37
Hillmorton Custodians Pty Limited	312,000	0.28
Jean Gamble	310,000	0.28
Trafalgar Custodians Pty Limited	295,000	0.27
Backlash Pty Limited	283,720	0.26
Andrew Sisson	250,000	0.23
Glen Farebrother	218,622	0.20
Claire Statham	201,000	0.18
Robert Richards	201,000	0.18
Ralph Stonell	200,000	0.18
Lorna Jones	198,000	0.18
	94,798,143	85.40

Company Secretary

Mr R Stonell

Principal Registered Office

431 Warringah Rd
FRENCHS FOREST NSW 2086
Tel: (02) 9004 4444

Principal Administration Office 431 Warringah Rd

431 Warringah Rd
FRENCHS FOREST NSW 2086
Tel: (02) 9004 4444

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.

