Mnet Group Limited

ABN: 94 125 736 914

Annual Report

30 June 2012

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Corporate Directory

Directors	Chris Beare – *Chairman* Alexander Beard Mel Brookman Andrew Butterworth Ross Fielding Ben Grootemaat
Alternate Director	Paul Doueihi
Company secretary	Philip Slusarski
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Share registry	Computershare Investor Services Pty Limited GPO Box 2975 MELBOURNE VIC 3001 Telephone: 1300 552 270 or +61 3 9415 4000 Facsimile: +61 3 9473 2408
Stock exchange listing	ASX: MNZ
Auditors	BDO Level 7 420 King William Street ADELAIDE SA 5000
Legal advisors	Adelta Legal Level 6 44 Waymouth Street ADELAIDE SA 5000
Internet address	www.mnetgroup.com

Your Company

Mnet Group Limited ("Mnet" or the "Company") is one of Australia's leading full service mobile companies, providing media, enterprise and government clients with a full range of mobile related solutions. From Mobile Web through to iPhone, iPad and Android applications, Mnet provides the technology and expertise to enable our clients to sell and market their products and services via mobile devices. Our commitment to superior customer service coupled with our strong foundation of proprietary technology makes Mnet the mobile partner of choice for many of the world's leading enterprises, telecommunications carriers and media companies.

Mnet operates out of offices in Sydney, Adelaide, Brisbane and Los Angeles.

Chairman's Report

Last year we advised that Mnet Group was re-structuring its business to focus on the work we do to help brands and corporates bring mobile into their mainstream business. We had previously done this for our media and telco clients and we believed that more corporate and enterprise customers would begin to do this as well. I'm pleased to say that this has proved to be true. We've always been convinced at Mnet that if a business integrates mobile into the way they do business they will see a significant increase in business activity. This does not mean just having a mobile website or mobile app, but re-thinking the business to allow customers to interact and transact through their mobile device. This is our Mobile Services business.

We felt so strongly about this trend that we re-structured the business to focus on this area. Last year we announced we were transferring our Caller Tones business to our partner Real Networks. We decided to retain our carrier content business but we have been very focussed on retaining profitability in that activity by aligning costs to revenue but also by growing revenue outside our carrier relationships.

Our campaigns and promotions business with our media clients is complementary to Mobile Services and it continues to perform well. It is often the leading edge of innovation that translates for us into a better ability to understand how to help our Mobile Service clients add more value through mobile.

The first half of last financial year incurred the costs of the re-focus, but in the second half of the year we have seen significant wins with major corporate clients and we predict this to continue. Our contracts are larger and more deeply integrated with our customer's enterprise. We are exploring more channels to this market with a range a partners but the size and scope of this business and its revenue growth and profitability are encouraging. We have more work to do, but the companies we have engaged with have seen mobile bring significant changes to the way they do business. Many of our case studies show how dramatically business changes by integrating mobile into the business models. Those companies that don't adopt will be left behind. The tipping point is here and we remain one of the few Australian companies than can deliver all that a business needs as it focuses more on mobile.

As we advised last year, Bob Humphreys took on the role of acting Chief Executive of Mnet. We confirmed his appointment as our permanent Chief Executive in December. The Board has been pleased with the drive and enthusiasm of Bob and the team. It is never easy to re-structure a business and focus on a new emerging area. Bob and the team have done this well and the second half results show good promise for Bob's leadership and for the future of the company.

The four major shareholders of Mnet, Yahoo7!, Telstra, Alcatel-Lucent and CVC Ltd have continued to be strong supporters of the company. They are represented on the Board as Directors or attend as observers. With their support in February this year we advised that we had appointed Hall Capital to advise us on capital strategy. As part of that advice we asked them to give us a view on the appropriate capital structure and shareholding mix that would best support the growth and on-going profitability of Mnet. That work is continuing and we expect to bring the results of that to shareholders over the next few months.

CEO's Report

It gives me great pleasure to provide my first annual report as your CEO since my appointment by your Board last December. I am pleased to be able to report a strong performance – particularly over the second half of the year – and a very positive outlook for the business.

Since assuming the CEO role I have completed the restructure and refocus foreshadowed by your Chairman in last year's report. We have seen our revenue stabilise after a period of growth as we focused on establishing profitability.

Some of those restructuring decisions have been to:

- Rationalise senior management roles to reduce overheads and focus on business development
- Implement redundancies to streamline our sales and operations resources
- Refocus the sales efforts towards enterprise clients, assisting those clients with mobile strategy planning and custom mobile solutions delivery
- Invest in our US presence in Los Angeles
- Focus on developing intellectual property in the realm of business utility applications
- Continue to invest resources that should secure a significant cash injection at the end of 2012 from the Caller Tones business segment

These decisions have resulted in the very pleasing outcome where despite incurring restructure and advisory costs in the second half of the reporting period, the second half of fiscal 2012 delivered a significant improvement to the first half. The strategic US investment has begun to generate a number of new opportunities and revenue. Supported by sound fundamentals in the second half of the year, your company is positioned to deliver profitability as we continue to grow. We have secured our first major strategic enterprise client for whom we have successfully delivered a range of consumer and field force automation applications, and our pipeline of opportunity remains very healthy.

The regular interaction I have with current and potential clients reinforces my view that corporate investment in mobile solutions will continue to grow rapidly for the foreseeable future. That investment will be underpinned by consumer, and employee demand for utility, services, and information on their tablet and handheld smartphone devices. Your company is now ideally positioned to capitalise on that demand.

I would like to convey my sincere appreciation for the privilege the Board and shareholders have provided me in leading your company through this exciting period of opportunity in our industry. Your company is in a strong position and along with my management team I look forward to delivering substantial growth in shareholder value in the year ahead.

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Mnet Group Limited and its controlled entities for the year ended 30 June 2012.

1. Directors

The following persons were Directors of Mnet Group Limited (the Company) at any time during the year and up to the date of this report unless otherwise stated:

Chris Beare
PhD, MBA, BSc, BEng (Hons), FAICD
Chairperson
Non-Executive Director

Dr Beare was appointed to the Board as Chairman on 6 November 2009. Prior to the merger he had been a Director of m.Net Corporation Limited since 2001 and Chairman since November 2005. Currently serves on the Board of the following listed company:

- Dexus Property Group (appointed 21 September 2004).

He is also the Chairman of Accede Capital Venture Partners and is a Director of BBB Capital and the holding companies for Sealy in Australia and Asia.

Alexander Beard
BCom, FCA, MAICD
Non-Executive Director

Mr Beard has been a Board member since 1 June 2007. Alexander (Sandy) has extensive experience with investee and early stage businesses, in advisory and direct management capacities. Currently serves on the Board of the following listed companies:

- CVC Limited (appointed 31 August 2000)
- Cellnet Group Limited (appointed 15 December 2006)
- Amadeus Energy Limited (appointed 14 October 2009)
- CVC Property Fund (appointed 23 December 2005).
- Villa World Croup (appointed 11 April 2011)

Mr Beard holds an interest in 230,000 shares in Mnet Group Limited as at the date of this report.

Mel Brookman
Non-Executive Director

Mr Brookman has been a member of the Board since the Company's incorporation on 1 June 2007. Mel has over 20 years experience in the telecommunications industry. Currently serves on the Board of the following listed company:

- Cellnet Group Limited (appointed 4 June 1992).

He holds an interest in 7,788,468 shares in Mnet Group Limited as at the date of this report.

Andrew Butterworth
BSc
Non-Executive Director

Mr Butterworth is the Chief Operating Officer for Alcatel-Lucent Shanghai Bell. Prior to the merger, Andrew was a Director of m.Net Corporation Ltd. He was appointed to the Mnet Group Limited Board on 6 November 2009.

Ross Fielding
BEng
Non-Executive Director

Mr Fielding is the Chief Executive Officer and Executive Director of RXP Services Limited. Prior to the merger, Ross was a Director of m.Net Corporation Limited. He was appointed to the Mnet Group Limited Board on 6 November 2009.

Ben Grootemaat
Non-Executive Director

Mr Grootemaat has been a Board member since 1 June 2007. He was a co-founder of the Mercury Mobility business in 2001. Ben holds an interest in 4,981,321 shares in Mnet Group Limited as at the date of this report.

Alternate Directors:

Paul Doueihi
BBus, CPA

Mr Doueihi was appointed on 1 February 2010 by Mr Andrew Butterworth as his Alternate Director. Paul is the Chief Financial Officer of Alcatel-Lucent Australia Ltd and Alcatel-Lucent New Zealand Ltd and a Director of Alcatel-Lucent Australia Ltd and Alcatel-Lucent New Zealand Ltd

Mark Fay
BBus, CPA

Mr Fay was appointed on 28 October 2010 by Mr Alexander Beard as his Alternate Director. Mark is an Equities Investment Manager with CVC Limited. He resigned on 3 October 2011.

Company Secretaries
Philip Slusarski (BEcon, MBus, CPA)
Mr Slusarski has been Chief Financial Officer (CFO) of Mnet Group since 8 August 2011. He was appointed Company Secretary on 9 September 2011.

Gary Moore (BCom, LLB (Hons), CA)
Mr Moore was the Company Secretary of Mnet Group from 30 October 2009 until 9 September 2012. He resigned from the Company on 16 September 2011.

2. Directors' Meetings

The number of meetings of Directors and of each Board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Chris Beare	8	8	2	2	1	1
Alexander Beard	6	8	-	-	1	1
Andrew Butterworth	7	8	-	-	-	-
Mel Brookman	3	8	-	-	-	-
Ross Fielding	8	8	-	-	-	-
Ben Grootemaat	8	8	-	-	-	-
Alternative Director						
Paul Doueihi	2	8	2	2	-	-
Mark Fay	2	3	-	-	-	-

A – Number of meetings attended
B – Number of meetings held throughout the year, during the time the Director held office

3. Principal activities

During the year the principal activities of the Group were the creation and sale of mobile phone content, and the supply of mobile marketing & professional services.

4. Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or financial report.

5. Operating and financial review

During the reporting period, the Company continued to lay the foundations for its range of mobile web and application services. Developments during the reporting period included the signing of key competitive tenders in the Australian enterprise market. The Group also establishing a subsidiary in Los Angeles, US to leveraging its existing mobile solutions business with Yahoo! Inc. and work directly with new clients in the North American market.

For the year ended 30 June 2012 the Group recorded a net loss after tax of $509,581 (2011: $1,769,223 loss).

The operating results of the Group for the year are summarised as follows:

	2012 **$**	**2011** **$**
Revenue and other income	9,766,077	12,743,448
Total expenses	10,279,423	14,470,368
Profit / (loss) before tax	**(513,346)**	**(1,726,920)**
Income tax benefit / (expense)	3,765	(42,303)
Profit / (loss) after tax	**(509,581)**	**(1,769,223)**

The net assets of the consolidated group have decreased from $4,417,751 in 2011 to $3,945,868 in 2012.

Likely future developments
The Company will continue to work with its long term partner Real Networks towards achieving milestones in relation to the renewal of the Caller Tones contract in order to achieve the maximum additional cash consideration due to the Group.

Further information on likely development in the operations of the group and expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

6. Corporate Governance

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

7.1 Board of Directors

Role of the Board
The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals, approving and monitoring capital expenditure, setting remuneration, and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the company's senior executives.

The Chief Executive Officer is responsible for implementing Group strategies and policies. The Board charter specifies that these are separate roles to be undertaken by separate people.

Board processes
To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board has established two committees, an audit committee and remuneration committee. Both of these committees have their own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All other matters are handled at the full board.

Composition of the Board
The names of Directors of the Company in office at the date of this report are set out in the Directors' Report on page 6 of this report.

Independent professional advice
Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

7.2 Audit committee

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates. The main responsibilities of the committee are to monitor the Group's exposure to significant risks, and make recommendations to the Board in respect of such findings, including strategic and operational improvements.

The members of the audit committee during the year were:

- Dr Chris Beare
- Mr Paul Doueihi

The committee met twice during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 7.

7.3 Remuneration committee

The remuneration committee operates in accordance with its charter. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members have the right to receive regular briefings from an external remuneration expert on recent developments on remuneration and related matters. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' report under the heading "Remuneration Report".

The members of the remuneration committee during the year were:

- Dr Chris Beare
- Mr Alexander Beard

The committee met once during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 7.

7.4 Risk assessment and management

The Group's policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Financial reporting
The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have made the following certifications to the Board:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Environmental regulation
There are no significant environmental regulations applying to the Group.

External auditors
The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

7.5 Code of Conduct

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies. The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Conflict of interest
In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company are set out in note 21 to the financial statements.

7.6 Continuous disclosure and Shareholder communication

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

7.7 Diversity

The Board has not yet adopted a formal Diversity Policy. No consideration is given to gender, age or ethnicity when selecting new employees or advancing existing employees. All prospective employees are employed and current employees are advanced based on individual achievements, skills and expertise.

Gender Representation

	30 June 2012		30 June 2011	
	Female	**Male**	**Female**	**Male**
Board	-	100%	-	100%
Key management personnel	20%	80%	20%	80%
Group	27%	73%	30%	70%

7.8 ASX corporate governance principles and recommendations

The Board considers that the Group generally complies with the ASX Principles and, where the Group does not comply, this is primarily due to the current relative size of the Group and scale and nature of its current operations. The Board considers that independence is about whether a Director is independent of management and free of outside influences which could materially interfere with the independent and objective judgement of the Director. On this basis, the Board considers that the committee compositions are independent.

Mnet Group Limited

Directors' Report (continued)

Comments on departures are set out below.

Recommendations	Comment
1.3 - Companies should provide the information indicated in the Guide to reporting on Principle 1.	The board charter is available on the ASX announcements platform but not the Company's website
2.1 - A majority of the Board should be Independent Directors.	Chris Beare, Mel Brookman, and Ross Fielding were independent Directors in terms of the ASX Principles for the entire year. They constitute half of the Board of Directors.
2.4 - The Board should establish a nomination committee.	As the company board is small, all matters concerning nomination are handled at the main board.
2.6 - Companies should provide the information indicated in the Guide to reporting on Principle 2.	No performance evaluation has been taken of the Board, its committees or Directors in the reporting period.
3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	The Company does not have a diversity policy and, consequently, did not disclose any measurable objective for achieving gender diversity.
3.5 - Companies should provide the information indicated in the Guide to reporting on Principle 3.	The following information is available on the ASX announcements platform but not the Company's website: - any applicable code of conduct or a summary; and - the trading policy or a summary.
4.2 - The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not the chair of the Board; and • has at least three members.	The audit committee is comprised of two non-executive directors, only one of whom is independent in terms of the ASX Principles. The chair of the audit committee is also the chair of the Board.
4.4 - Companies should provide the information indicated in the Guide to reporting on Principle 4.	The following information is available on the ASX announcements platform but not the Company's website: - the audit committee charter; and - information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
5.2 - Companies should provide the information indicated in the Guide to reporting on Principle 5.	The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements are available on the ASX announcements platform. However, these policies have not been posted to the Company's website.
7.4 - Companies should provide the information indicated in the Guide to reporting on Principle 7.	A summary of the company's policies on risk oversight and management of material business risks has not been made available on the Company's website.
8.1 - The Board should establish a remuneration committee.	The remuneration committee is comprised of two non-executive directors, only one of whom is independent in terms of the ASX Principles.

Recommendations	Comment
8.4 - Companies should provide the information indicated in the Guide to reporting on Principle 8.	The following information has not been made available on the Company's website: - the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee - a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

8 Dividends

No dividends have been paid or declared during the year and up to the date of this report.

9 Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the Group operations in future financial years, or results of those operations in future financial years, or the state of affairs in future financial years except for any potential outcome of the work being undertaken by Hall Capital Strategies Pty Limited as announced to the ASX on 29 February 2012.

Remuneration Report - Audited
The information provided in this remuneration report relates to the Group for the year ended 30 June 2012 and has been audited as required by section 308(3C) of the *Corporations Act 2001.*

10.1 Principles used to determine the nature and amount of remuneration

The Remuneration Committee was established by the Board and applies to the Group to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Group, by endeavouring to ensure that the Group policies and practices are consistent with the strategic direction; the Directors and senior management are fairly and appropriately remunerated; and that there is an appropriate balance between the interests of the Company's shareholders and staff motivation.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. Remuneration packages comprise fixed remuneration and may include bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the individual.

At the date of this report the Group has not entered into any agreements with Directors or senior executives which include performance based components. As such there is no relationship between the Groups financial results, market price of its equity securities, dividends declared or paid during the financial period, or other capital returns to shareholders to the remuneration paid to Directors or senior Executives.

Short-term incentive (STI)
Executives have STI targets depending on the accountabilities of their role and impact on the organisation. These STI's normally vary between 0% and 20% of base pay. For the year ended 30 June 2012 the key performance indicators linked to STI plans were based on individual and personal objectives. The Key Performance Indicator's ("KPIs") required performance in reducing operating costs, winning new business and growing existing business. The amount paid under STI plans was nil (2011: nil) and all STI amounts relating to the current reporting period have been forfeited.

Long-term incentive (LTI)

LTI's are provided to non-executive employees via the Employee Share Option Plan. Directors and executives are offered options via the Directors and Executive Share Option Plan. Refer to the notes to the financial statements for further information.

Non-executive directors and directors' fees

During 2012 no non-executive director's received any payments for work completed outside of their duties as a director, or for the services on the board.

10.2 Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and key management personnel of the Group are set out in the following tables. The key management personnel of the Group are the Directors of Mnet Group Limited and those executives that report directly to the CEO.

On 31 August 2011 Horden Wiltshire left the company and Robert Humphreys was formerly appointed as Chief Executive Officer (CEO) on 8 December 2011. On 22 July 2011 Bridgette Munn resigned as Finance Director. Philip Slusarski was appointed as Chief Financial Officer on 8 August 2011.

On 1 July 2011 Kristy Manson was appointed as Director of Sales (DS), and Leland Parker was appointed as Director of Content (DC).

	Short-term employee benefits			Post-employment benefits			Share-based payments	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long-term benefits $	Termination benefits $	Options $	Total $
2012								
Non-executive Directors								
Ben Grootemaat, Chris Beare, Mel Brookman, Alexander Beard, Andrew Butterworth, Ross Fielding ,Paul Doueihi and Mark Fay[2] did not receive remuneration during the period								
CEO								
Robert Humphreys[3]	213,611	-	-	19,225	8,922	-	15,714	257,472
Horden Wiltshire[4]	91,744	-	-	18,812	(34,450)	110,508	7,031	193,645
Other Key management personnel								
Philip Slusarski[5]	133,025	-	6,132	11,972	370	-	-	151,499
Luigi Iuliano	154,711	-	-	13,789	6,045	-	14,953	189,498
Kristy Manson[6]	140,723	-	-	12,665	3,719	-	-	157,107
Leland Parker[7]	126,626	-	-	10,766	4,970	-	-	142,362
Bridgette Munn[8]	12,035	-	-	537	(4,953)	-	-	7,619
Total	872,475	-	6,132	87,766	(15,377)	110,508	37,698	1,099,202

Name	Short-term employee benefits Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Post-employment benefits Super-annuation $	Long-term benefits $	Termination benefits $	Share-based payments Options $	Total $
2011								
Non-executive Directors								
Chris Beare	24,000	-	-	-	-	-	-	24,000
Ben Grootemaat	39,395	-	-	-	-	-	-	39,395
Mel Brookman, Alexander Beard, Andrew Butterworth, Ross Fielding, Bruno Fiorentini Jnr[1] ,Paul Doueihi and Mark Fay[2] did not receive remuneration during the period								
CEO								
Horden Wiltshire[4]	220,184	-	-	19,817	10,485	-	43,209	293,695
Other Key management personnel								
Robert Humphreys[3]	155,428	-	-	13,989	4,779	-	16,845	191,041
Luigi Iuliano	153,211	-	-	13,789	11,987	-	15,326	194,313
Paul Paoliello[9]	200,000	-	-	18,000	(977)	105,725	672	323,420
Barry Porter[10]	127,254	-	8,029	11,453	(38,543)	-	23,978	132,171
Bridgette Munn[8]	50,291	-	-	4,517	3,399	-	-	58,207
Total	969,764	-	8,029	81,564	(8,870)	105,725	100,030	1,256,242

[1] Bruno Fiorentini left the board on 21 March 2011.

[2] Mark Fay was appointed as Alexander Beard's Alternate Director on 28 October 2010, and resigned on 3 October 2011.

[3] Robert Humphreys was appointed COO on 30 October 2009. He was formally appointed as CEO on 8 December 2011.

[4] Horden Wiltshire was appointed as CEO on 30 October 2009. He left the company on 31 August 2011.

[5] Philip Slusarski was appointed as CFO on 8 August 2011.

[6] Kristy Manson was appointed DS on 1 July 2011.

[7] Leland Parker was appointed DC on 1 July 2011.

[8] Bridgette Munn was appointed as Finance Director on 1 April 2011. Prior to this she was a Finance Manager for the Group. She resigned on 22 July 2011.

[9] Paul Paoliello was appointed as CSMO on 30 October 2009. Prior to this he was COO. He left the company on 30 June 2011.

[10] Barry Porter was appointed as CFO on 30 October 2009. He resigned on 1 April 2011.

There were no other key management personnel or executives in the current or prior year.

10.3 Service agreements

The CEO, CTO and DS have pre-existing employment contracts with m.Net Corporation. The DC has a pre-existing employment contract with Mercury Mobility. There are no guaranteed base pay increases included in any executives' contracts. Other major provisions of the agreements relating to remuneration are set out below.

Name and position	Base salary including superannuation	Commencement date of on-going service agreement	Termination benefit other than for gross misconduct	Period of notice to terminate contract
Robert Humphreys (CEO)	$240,000	31 January 2005	12 months base salary	12 months base salary
Philip Slusarski (CFO)	$174,400	8 August 2011	8 months base salary	3 months base salary
Luigi Iuliano (CTO)	$167,000	18 August 2003	3 months base salary	4 weeks base salary
Kristy Manson (DS)	$152,600	9 January 2006	3 months base salary	4 weeks base salary
Leland Parker (DC)	$130,392	11 November 2003	3 months base salary	4 weeks base salary

10.4 Share-based compensation – options

Options over shares in the Company are granted under the Directors and Executive Share and Option Plan. Under the plan, participants are granted options which only vest upon reaching service milestones. There are no performance conditions attached to the options, and participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted carry no dividend or voting rights or rights to participate in any other share issue of the company or any other entity. When exercisable, each option is convertible into one ordinary share.

Name	Balance at the end of the year	Vested and exercisable
Horden Wiltshire	-	-
Robert Humphreys	2,099,505	1,670,770
Luigi Iuliano	1,472,894	1,044,158
Philip Slusarski	-	-
Kristy Manson	-	-
Leland Parker	-	-
Bridgette Munn	-	-
	3,572,399	2,714,928

Model inputs for options granted during the year are disclosed in note 30 of the financial report.

Additional information

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on previous pages, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

	Cash Bonus		Options					
Name	Paid %	Forfeited %	Year granted	Cancelled by the Board %	Forfeited %	Lapsed %	% of options vested during the year	Financial years in which options may fully vest
Horden Wiltshire	-	-	2010	-	100	-	-	2010
			2010	-	100	-	4	2011
			2010	-	100	-	4	2013
			2010	-	100	-	4	2013
Robert Humphreys	-	-	2010	-	-	-	-	2010
			2010	-	-	-	12	2011
			2010	-	-	-	25	2013
			2010	-	-	-	25	2013
Luigi Iuliano	-	-	2010	-	-	-	25	2013
			2010	-	-	-	25	2013

Further details relating to options are set out below.

2012

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Robert Humphreys	6%	-	-	-
Philip Slusarski	0%	-	-	-
Luigi Iuliano	8%	-	-	-
Kristy Manson	0%	-	-	-
Leland Parker	0%	-	-	-
Horden Wiltshire	4%	-	-	-
Bridgette Munn	0%	-	-	-
		-	-	-

(A) = the percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

(B) = the value at grant date calculated in accordance with AASB 2 share-based payment of options granted during the year as part of remuneration.

(C) = the value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

(D) = the value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

End of audited Remuneration Report.

11 Shares Under Options

At the date of this report there were 3,572,399 options outstanding over ordinary shares of the company and there were no options over unissued ordinary shares of any controlled entity within the Group.

12 Loans to Directors and executives

In accordance with the terms and conditions of the options granted to Ben Grootemaat in June 2007, which were exercised in June 2007, the payment of the exercise price of $250,000 has been treated as a loan which was repayable in August 2010 (two months after the shares were released from escrow). A balance of $35,000 remains payable at the date of this report. Further information on loans to Directors and executives are set out in the notes to the financial statements.

13 Insurance and Indemnification of officers

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The terms of the insurance contract prevent additional disclosure. The Group is not aware of any liability that arose under these indemnities as at the date of this report.

14 Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of the amounts paid or payable to the auditor for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor and their related practices:

	Consolidated	
	2012	**2011**
	$	**$**
Taxation services – BDO	41,680	27,160
	41,680	27,160

15 Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 can be found on page 56 of the Annual Report.

Directors' Report (continued)

This report is made in accordance with a resolution of Directors.

Chris Beare
Chairman

30 August 2012

Mnet Group Limited

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	NOTES	Consolidated 2012 $	Consolidated 2011 $
Revenue and other income			
Service revenue		7,989,630	8,396,067
Sale of content		1,689,606	2,536,968
Interest Revenue		47,059	35,584
Other Income	3	39,782	1,774,829
		9,766,077	12,743,448
Expenses			
Employee benefits		4,085,843	5,421,589
Share-based payments	30	37,698	100,030
Depreciation	10	46,831	76,449
Amortisation of intangibles	11	48,551	48,550
Delivery and hosting costs		4,159,283	4,005,018
Content costs		291,596	602,040
Advertising		10,381	25,450
Occupancy costs		523,616	616,753
Financing costs		1,881	11,957
Professional fees		273,577	184,103
Travel and entertainment		252,385	231,658
Caller Tones earn out expenses	4	143,434	-
Foreign exchange losses		30,334	127,736
Impairment of Goodwill		-	2,591,214
Other expenses		374,013	427,821
Total expenses		10,279,423	14,470,368
Profit / (loss) before tax		(513,346)	(1,726,920)
Income tax benefit / (expense)	6	3,765	(42,303)
Profit / (loss)		(509,581)	(1,769,223)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(509,581)	(1,769,223)
Profit (loss) is attributable to:			
Owners of Mnet Group Limited		(509,581)	(1,769,223)
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Owners of Mnet Group Limited		(509,581)	(1,769,223)
Non-controlling interest		-	-
		Cents	Cents
Basic and diluted earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company	29	(0.2)	(0.8)

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Mnet Group Limited

Consolidated Statement of Financial Position

As at 30 June 2012

	NOTES	Consolidated 2012 $	2011 $
Current assets			
Cash and cash equivalents		1,902,290	1,767,701
Trade and other receivables	7	2,453,885	1,960,878
Other current assets	8	82,559	30,054
Total current assets		4,438,734	3,758,633
Non-current assets			
Property, plant and equipment	10	121,561	147,713
Intangible assets	11	2,452,089	2,468,252
Deferred tax assets	12	242,563	225,800
Other non-current assets	9	-	55,490
Total non-current assets		2,816,213	2,897,255
Total assets		**7,254,947**	**6,655,888**
Current liabilities			
Trade and other payables	13	2,914,008	1,815,880
Provisions - current	15	267,988	268,100
Total current liabilities		3,181,996	2,083,980
Non-current liabilities			
Provisions - non-current	15	127,083	154,157
Total non-current liabilities		127,083	154,157
Total liabilities		**3,309,079**	**2,238,137**
Net assets		**3,945,868**	**4,417,751**
Equity			
Contributed equity	16	10,540,067	10,540,067
Reserves	17	323,358	285,660
Accumulated losses		(6,917,557)	(6,407,976)
Capital and reserves attributable to the owners of Mnet Group Limited		3,945,868	4,417,751
Non-controlling interest		-	-
Total equity		**3,945,868**	**4,417,751**

The statement of financial position should be read in conjunction with the accompanying notes.

Mnet Group Limited

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

Consolidated	**Contributed equity** $	**Share-based payment reserve** $	**Retained earnings/ (accumulated losses)** $	**Total equity** $
At 1 July 2010	10,540,067	185,630	(4,638,753)	6,086,944
Profit or (Loss)	-	-	(1,769,223)	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,769,223)	(1,769,223)
Transactions with owners in their capacity as owners - Employee share options	-	100,030	-	100,030
Balance at 30 June 2011	10,540,067	285,660	(6,407,976)	4,417,751
At 1 July 2011	10,540,067	285,660	(6,407,976)	4,417,751
Profit or (Loss)	-	-	(509,581)	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(509,581)	(509,581)
Transactions with owners in their capacity as owners - Employee share options	-	37,698	-	37,698
Balance at 30 June 2012	10,540,067	323,358	(6,917,557)	3,945,868

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

Mnet Group Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	Consolidated 2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		9,863,781	13,863,767
Grant received		9,927	72,820
Payments to suppliers and employees		(9,710,138)	(12,846,282)
Income tax paid		(12,998)	(9,541)
Interest received		50,545	31,470
Interest paid		(3,761)	(11,957)
Net cash provided by / (used in) operating activities	28	197,356	1,100,277
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		-	-
Payments for plant and equipment		(30,378)	(2,950)
Payments for intangible assets		(32,389)	-
Net cash (used in) investing activities		(62,767)	(2,950)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	-
Payment of share issue costs		-	-
Net cash provided by financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		134,589	1,097,327
Cash and cash equivalents at the beginning of the reporting period		1,767,701	670,374
Cash and cash equivalents at the end of the reporting period	28	1,902,290	1,767,701

The statement of cash flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The financial statements cover the consolidated entity, consisting of Mnet Group Limited and its controlled entities.

Mnet Group Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 16 Anster Street, Adelaide SA 5000.

The financial statements were authorised for issue on 30 August 2012.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. For the purposes of preparing the financial statements, the consolidated entity is a for-profit entity.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Mnet Group Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and Mnet Group Limited (the "Group) as at 30 June 2012 and the results of the Group for the year then ended. Mnet Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities controlled by Mnet Group Limited. Control exists when there is power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The financial information for subsidiaries is included in the consolidated financial information from the date that control commences to the date that control ceases.

AASB 127 (revised) requires all business combinations occurring on after 1 July 2009 to be accounted for applying the acquisition method.

The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.
The standard also specifies the accounting when control is lost. Any remaining interest in the entity must be remeasured to fair value and a gain or loss is recognised in profit or loss.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

(c) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Directors. The basis of determining segments has not changed from the last annual financial statements.

The consolidated entity has three operating segments: caller tones, the provision of mobile content and mobile services.

(d) Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Mnet Group Limited's functional and presentation currency.

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations
The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations are taken to a translation reserve.

(e) Revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is measured at the fair value of the consideration received after taking into account any discounts that may apply.

Sales revenue is recognised on an accrual basis in accordance with the substance of agreements with relevant customers.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(g) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss or other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation legislation
Mnet Group Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. As a consequence all members of the tax consolidated group are taxed as a single entity.

The head entity, Mnet Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Mnet Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

(h) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand and short term deposits with original maturities of 3 months or less held at call with financial institutions.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 45-60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income in other expenses.

(j) Plant and equipment

Recognition and measurement
Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of plant and equipment have different useful lives they are accounted for as separate items of plant and equipment. Gains or losses on disposal of an item of plant and equipment are determined by

comparing the proceeds from disposal with the carrying amount of the item and are off-set in the statement of comprehensive income.

Subsequent expenditure
The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation
Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 – 20 years

The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

(k) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and meets the requirements of Accounting Standard AASB 138 “Intangible Assets”. All other expenditure is expensed as incurred.

Amortisation
Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite.

Intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- Content development costs 2 years
- Software licences 2 – 3 years
- Website and system development costs 3 – 10 years

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding , is recognised in the statement of comprehensive income as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense when incurred.

(l) Impairment of assets

Goodwill which has an indefinite useful life is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at the initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(n) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on average 60-day terms.

(o) Provisions

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

(p) Employee benefits

Wages, salaries, annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated using undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax.

Long-term service benefits

The net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Commonwealth Government bonds at the reporting date which have maturing dates approximating the terms of the Group's obligations.

(q) Share-based payment transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Mnet Group Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Dividends

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

(t) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Goods and services tax (GST)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (the "ATO") is included as a current asset or liability in the statement of financial position. Revenue, expenses and all other assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

(v) Leases

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of financial performance as an integral part of the total lease expense and spread over the term of the lease term.

(w) Financial instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instrument.

Other financial liabilities, including interest bearing liabilities are initially measured at fair value, net of transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

(x) New accounting standards and interpretations not effective in current period

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period and have not yet been applied in the financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments, AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interest in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investment in Associates and Joint Ventures' (2011	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AAASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

The Group has not yet assessed the impact of these standards.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are considered to be reasonable under the circumstances. The critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Intangibles

During the 2012 financial year the carrying values of intangible assets were considered in terms of their recoverable amount. There were three categories of intangibles; software licences, which consist the Group's mobile campaign management platform, Content and Goodwill. The carrying value of software licences and Goodwill were assessed and it was determined that no impairment adjustment was required. (refer to note 11 for further details).

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees, directors and consultants by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model.

The related assumptions are detailed in note 30. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Groups understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group has not recognised any deferred tax assets relating to carried forward tax losses as the Group's ability to utilise tax losses is not currently considered probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. (refer to notes 6 and 12 for further details).

Ongoing operations

The financial report has been prepared on a going concern basis which presumes the realisation of assets and extinguishment of liabilities in the normal course of business for the foreseeable future.

The Group's budget for the 2013 financial year reflects continued expansion in the mobile solutions business consistent with previous years' growth. The Directors are confident that, on the basis of current contracts and the increase in demand for mobile services, the Group's underlying financial results will continue to improve in the 2013 financial year.

	Consolidated	
	2012	**2011**
	$	**$**
3. Other Income		
Government grants*	9,927	72,820
Other Income	29,855	35,342
Sale of Caller Tones	-	1,666,667
	39,782	1,774,829

* There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance.

During the year a reclassification of income relating to the sale of a Caller Tone supplier contract was undertaken. The amount of income recognised from the sale was $1,666,667. This reclassification results in a reduction in 2011 service revenue from $10,062,734 to $8,396,067, and an increase in other income from $108,162 to $1,774,829. There is no change in the net loss recorded by the group for the year ended 30 June 2011. The reclassification better reflects the nature of the underlying transaction as it is outside the principal revenue generating activities of the Group.

	Consolidated 2012 $	Consolidated 2011 $
4. Caller Tones earn out expenses		
Caller Tones earn out expenses[#]	143,434	-
	143,343	-

[#] Expenses of $143,434 were incurred in Caller Tones for furtherance of the achievement of milestones related to contract renewal targets in order to achieve the maximum additional cash consideration due to The Group of up to 2,000,000 due 31 December 2012. (refer note 23)

5. Other Expenses

	2012 $	2011 $
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	214,770	240,469
Other employee benefits expenses	3,871,073	5,181,120
	4,085,843	**5,421,589**
Depreciation		
Equipment	46,831	76,213
Leasehold Improvements	-	236
	46,831	**76,449**
Amortisation		
Software Licenses	48,551	48,550
	48,551	**48,550**
(Gain)/loss on disposal of fixed assets	**9,699**	**-**
Rental expenses		
Lease Payments	337,116	303,224
	337,116	**303,224**
Net foreign exchange gains and losses		
Net foreign exchange (gains)/losses	30,334	127,736
	30,334	**127,736**

	Consolidated 2012 $	Consolidated 2011 $
6. Income tax		
Income tax expense		
Current tax benefit/ (expense)	104,712	(9,543)
Deferred tax benefit relating to origination and reversal of temporary differences	16,763	(32,760)
Tax losses not recognised	(117,710)	-
Income tax (expense)/benefit	3,765	(42,303)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from operations before income tax expense	(513,346)	(1,726,920)
Tax at the Australian tax rate of 30% (2011: 30%)	154,004	518,076
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:		
Impairment of Goodwill	-	(777,364)
Share based payments	(11,309)	(30,009)
Foreign income tax credit not recoverable	(15,657)	(9,541)
Other	(5,563)	(4,012)
Income tax (expense)/benefit	121,475	(302,850)
Prior period net deferred tax assets (written off)/now recognised	-	132,764
Reassessment of deferred tax liability	-	127,783
Current net deferred tax assets written off	-	-
Tax losses not recognised	(117,710)	-
Income tax (expense)/benefit	3,765	(42,303)

Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

	2012 $	2011 $
Net deferred tax – credited directly to equity (note 12)	-	-

Movement in unrecognised tax losses

	2012 $	2011 $
Opening balance	8,946,770	15,457,383
Tax losses incurred/(recovered) in the current period	392,367	(442,547)
Tax losses incurred in prior periods no longer available	-	(6,068,066)
Closing balance	9,339,137	8,946,770
Tax benefit at 30%	2,801,741	2,684,031

6. Income tax (continued)

Unrecognised temporary differences for which no net deferred tax asset has been recognised attributable to:

Amortisation of share issue expense	-	-
Employee benefits	-	-
Accruals	-	-
Sundry items	-	-
Intangible assets	-	-
Net temporary differences not recognised	-	-

Tax consolidation legislation

Management is confident of future taxable profits, therefore a net deferred tax asset of $242,563 has been recognised for the Consolidated Group for the current year.

Prior year tax losses are recognised only to the extent that they are consolidated group losses and they offset current year tax payable.

Additional tax losses relate to transferred losses into the consolidated group. As transferred losses are available for usage on a capped basis and there is some uncertainty as to the appropriate usage cap to apply, these additional tax losses have not been recognised.

7. Receivables

	Consolidated 2012 $	Consolidated 2011 $
Current		
Trade and other debtors	1,434,709	1,151,852
Loans to key management personnel	35,000	35,000
Unbilled income	984,176	774,026
	2,453,885	1,960,878

At 30 June 2012 no trade debtors or unbilled income was assessed as impaired. The collectability of trade debtors is assessed periodically taking into account each customer's financial condition, payment history, historical write-off experience or other assumptions. Trade debtors of $832,871 (2011: $719,288) were past due but not impaired. These relate to a number of customers with no recent history of default. The Group does not hold any collateral in relation to these receivables.

The ageing analysis of these trade debtors past due is as follows:

	2012	2011
1 month	340,506	427,358
2 months	312,466	105,889
3 months and greater	179,899	186,041
	832,871	719,288

Loans to key management personnel

In accordance with the terms and conditions of the grant of 10 million options to Ben Grootemaat, which were exercised before 30 June 2007, payment of the $250,000 exercise price (of 2.5 cents per share) has been treated as a loan carried at amortised cost based on a discount rate of 10%. A balance of $35,000 remains payable – refer to note 21 for further information.

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is provided in note 19.

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 19 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8. Other current assets

	2012	2011
Prepayments	82,559	30,054
	82,559	30,054

9. Other non-current assets

	2012	2011
Prepayments	-	16,491
Security deposit	-	38,999
	-	55,490

	Consolidated 2012 $	Consolidated 2011 $
10. Property, plant and equipment		
Plant and equipment – at cost	555,465	534,786
Accumulated depreciation	(433,904)	(387,073)
Carrying amount	121,561	147,713
Movements in the carrying amounts of plant and equipment are set out below:		
Balance at beginning of year	147,713	221,212
Additions	30,378	2,950
Acquisitions through business combination	-	-
Disposals/write down in value	(9,699)	-
Depreciation	(46,831)	(76,449)
Balance at end of year	121,561	147,713
11. Intangible assets		
Website development – at cost	432,260	432,260
Accumulated amortisation and impairment	(432,260)	(432,260)
	-	-
Systems development – at cost	1,380,640	1,380,640
Accumulated amortisation and impairment	(1,380,640)	(1,380,640)
	-	-
Content – at cost	912,841	894,978
Accumulated amortisation and impairment	(894,978)	(894,978)
	17,863	-
Software licences – at cost	378,988	445,203
Accumulated amortisation and impairment	(48,551)	(80,740)
	330,437	364,463

Software licences relate to the capitalised cost of developing the Group's mobile campaign management platform which is amortised at 10% per annum. The remaining useful life of the asset is 6.5 years.

	Consolidated 2012 $	Consolidated 2011 $
Goodwill – at cost	4,695,003	4,695,003
Accumulated Impairment	(2,591,214)	(2,591,214)
	2,103,789	2,103,789

Goodwill resulted from the purchase of the shares of m.Net Corporation Limited. This has been allocated to the mobile services operating segment.

11. Intangible assets (continued)

The recoverable amount of the cash-generating unit above is based on value in use calculations. Value in use is based on the present value of cash flow projections over a 5 year period. These cash flow projections have a compound annual growth rate of 7.5% and are discounted at a rate of 20%. This is a revision of the associated discount rate used in 2011 of 15% and compounded annual growth rate of 18%.

	Consolidated	
	2012	**2011**
	$	**$**
Total intangible assets	**2,452,089**	**2,468,252**

Movements in intangible assets during the year were as follows:

Website development		
Balance at beginning of year	-	-
Amortisation	-	-
Impairment	-	-
Balance at end of year	-	-
Systems development		
Balance at beginning of year	-	-
Amortisation	-	-
Impairment	-	-
Balance at end of year	-	-
Content		
Balance at beginning of year	-	-
Additions	17,863	-
Amortisation	-	-
Impairment	-	-
Balance at end of year	17,863	-
Software licences		
Balance at beginning of year	364,463	413,013
Additions	14,525	-
Amortisation	(48,551)	(48,550)
Balance at end of year	330,437	364,463
Goodwill		
Balance at beginning of year	2,103,789	4,695,003
Acquisition through business combination	-	-
Impairment	-	(2,591,214)
Balance at end of year	2,103,789	2,103,789

Intangible assets other than goodwill have finite useful lives. The current amortisation charge for intangible assets is included in the statement of comprehensive income. Goodwill has an infinite life.

	Consolidated 2012 $	2011 $
12. Deferred tax assets		
Amortisation of share issue expense	-	24,970
Employee benefits	118,521	126,677
Accruals	63,434	35,067
Capital raising costs	54,917	38,476
Unrealised foreign exchange	6,485	446
Sundry items	(794)	164
Tax losses	-	-
Total deferred tax assets	242,563	225,800
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	-	-
Net deferred tax assets	242,563	225,800
Movements in carrying value:		
At beginning of period	225,800	386,345
Credited/(charged)to the statement of comprehensive income	16,763	(160,545)
At end of year	242,563	225,800

13. Trade and other payables

Trade and other payables	2,914,008	1,815,880

Trade and other payables are generally unsecured, non-interest bearing and paid in cash within 30-60 days of recognition.

Information about the Group's exposure to foreign exchange risk is provided in note 19.

14. Deferred tax liability

Deferred tax liability	-	-
The balance comprises temporary differences attributable to:		
Intangible assets	-	-
Total deferred tax liabilities	-	-
Set off of deferred tax assets pursuant to set-off provisions (note 12)	-	-
Net deferred tax liabilities	-	-
Movements in carrying value:		
At beginning of period	-	127,783
(Credited)/charged to the statement of comprehensive income		(127,783)
Credited directly to equity	-	-
At end of year	-	-

	Consolidated 2012 $	Consolidated 2011 $
15. Provisions		
Current		
Employee benefits	267,988	268,100
Non-current		
Employee benefits	127,083	154,157

16. Contributed equity

	Consolidated 2012 $	Consolidated 2011 $
Share capital		
208,788,584 (2011: 208,788,584)		
fully paid ordinary shares	10,540,067	10,540,067

The movement in fully paid ordinary shares for 2011 and 2012 is reconciled as follows:

Details	Notes	No. of Shares	Consolidated entity $
Balance as at 30 June 2011		208,788,584	10,540,067
Balance as at 30 June 2012		208,788,584	10,540,067

There were no movements in share capital in the years ended 30 June 2012 and 30 June 2011.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value.

Options

As at reporting date the number of options to purchase ordinary shares in the parent entity was as follows:

No. of Outstanding Options		No. of Options Vested		Exercise Price	Expiry Date
2012	2011	2012	2011		
430,590	1,462,375	430,591	1,462,375	4.9 cents	28 September 2015
196,020	522,720	196,020	457,328	9.7 cents	28 November 2017
854,909	1,795,347	694,536	1,009,793	12.4 cents	3 March 2019
2,090,880	4,965,840	1,393,781	2,068,968	5.1 cents	3 October 2014
-	-	-	-	8.8 cents	7 December 2014
3,572,399	**8,746,282**	**2,714,928**	**4,998,464**		

The options were issued to employees under the Directors and Executive Share and Option Plan.

16. Contributed equity (continued)

Capital Management

Management controls the capital of the Group to ensure that the Group can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

17. Reserves

	Consolidated	
	2012	**2011**
	$	**$**
Share-based payments reserve		
Balance at beginning of year	285,660	185,630
Expense for options vested during the year	37,698	100,030
Balance at end of year	323,358	285,660

The share-based payments reserve is used to recognise the fair value of the vested options issued to employees but not exercised.

18. Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Mnet Group operates in three operating segments: the provision of mobile phone content, mobile services and caller tones. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and similar types of products and/or services provided.

i) Mobile Phone Content

Mnet Group provides world class downloadable content to numerous Telecommunications clients and Direct-to-Consumer sales channels globally. Mnet Group manage and aggregate mobile content for over 400 labels, brands and entertainment companies and we take great pride in our merchandising capabilities while maximising revenue for our partners.

ii) Mobile Services

From Mobile Web through to iPhone, iPad and Andriod applications, Mnet Group provides the technology and expertise to enable our clients to sell and market their products and services via mobile devices.

iii) Callertones

Provision of ring back tones services to Telecommunications clients.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Unallocated items

The following items of revenue, expenses, are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- listing costs, registration and filing fees;
- audit, legal and other professional fees;
- share-based payments;
- and, unallocated finance and Chief Executive remuneration

Comparative information

Comparative information has been restated to conform to the requirements of this Standard.

Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 8 Operating Segments.

18. Segment Reporting (continued)

Segment Performance

30 June 2012	**Mobile Phone Content**	**Mobile Services**	**Caller Tones**	**Total**
	$	**$**	**$**	**$**
Revenue	1,705,206	7,970,121	3,930	9,679,257
Interest revenue	-	-	-	47,037
Total Segment Revenue	1,705,206	7,975,881	3,930	9,726,294
Unallocated revenue:				
Other Income	-	5,760	-	29,855
Government Grants	-	-	-	9,927
Total Group Revenue and other income	1,705,206	7,981,641	3,930	9,766,076
Impairment of Goodwill	-	-	-	-
Segment net profit/(loss) from continuing operations before tax	177,647	733,277	(140,248)	770,676
Reconciliation of segment result to group net profit/(loss) before tax:				
Unallocated items:				
Employee benefits	-	-	-	(714,184)
Administration expenses	-	-	-	(474,456)
Depreciation and amortisation	-	-	-	(95,382)
Net profit before tax from continuing operations				(513,346)

During the current year other expenses reported to the chief decision maker were reclassified to reflect actual expense allocations based on time sheet data, this data was not available to enable reclassification of the comparative balances.

30 June 2011	**Mobile Phone Content**	**Mobile Services**	**Caller Tones**	**Total**
	$	**$**	**$**	**$**
Revenue	2,628,715	7,066,745	1,237,575	10,933,035
Interest revenue	-	-	-	35,584
Total Segment Revenue	2,628,715	7,066,745	1,237,575	10,968,619
Unallocated revenue:				
Other Income		35,342	1,666,667	1,702,009
Government Grants	-	-	-	72,820
Total Group Revenue and other income				12,743,448
Impairment of Goodwill	-	(863,738)	(1,727,476)	(2,591,214)
Share-based payments	-	(100,030)	-	(100,030)
Segment net profit/(loss) from continuing operations before tax	(795,154)	(1,236,911)	357,324	(1,674,741)
Reconciliation of segment result to group net profit/(loss) before tax:				
Unallocated items:				72,820
Depreciation and amortisation				(124,999)
Net profit before tax from continuing operations				(1,726,920)

18. Segment Reporting (continued)

Segment Assets and Liabilities

Segment assets and liabilities are not disclosed because assets and liabilities by each reportable segment are not regularly provided to the chief operating decision maker.

Revenue and Other Income by Geographical Region

Revenue and other income, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	Consolidated	
	2012	**2011**
	$	**$**
Australia	8,354,233	10,746,939
New Zealand	387,490	599,266
Canada	634,041	1,018,596
United State of America	274,130	372,319
Other foreign countries	116,183	6,328
Total Revenue	**9,766,077**	**12,743,448**

Assets by Geographical Region

All segment non-current assets are located in Australia.

Major Customers

Mnet Group has a number of customers to whom it provides both products and services. Mnet Group supplied one external customer (2011: two) who accounted for over 10% of Mnet Group’s revenues. In aggregate they accounted for 11% of external revenue which is $1,073,690 (2011: 30% $3,826,635).

19. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Market risk

The Group is not exposed to equity nor commodity security price risks. The Group does not have borrowings and therefore the Group’s exposure to interest rate risk primarily concerns interest received on cash deposits held at call. The Group operates internationally and is exposed to foreign exchange risk arising primarily from the New Zealand, American and Canadian currency fluctuations. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity’s functional currency. The carrying amounts of the Group’s financial assets and liabilities are denominated in Australian dollars. The risk is measured using cash flow forecasting. The parent is not exposed to foreign currency risk.

19. Financial risk management (continued)

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 12					30 June 11				
	NZD $	CAD $	GBP £	EUR €	USD $	NZD $	CAD $	GBP £	EUR €	USD $
Deposits held at call	-	46,071	265	-	171,976	-	-	290	31	62,262
Trade and other receivables	-	163,632	-	534	114,413	67,370	191,693	-	122	63,870
Trade payables	(200)	-	-	-	(7,279)	(159)	-	-	-	(6,801)

Group sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against other currencies with all other variables held constant, the Group's post-tax loss for the year would have shown negligible movements for each of the reporting periods.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. The Group banking is with Commonwealth Bank Australia and National Australia Bank. All of the Group's cash balances are held with Commonwealth Bank Australia or National Australia Bank.

The Group's customers mostly comprise major telecommunication carriers who also make up the material accounts receivable balances. Since commencing business in 2007, accounts receivable collection has been without impairment.

As part of Group risk review processes, the credit quality of the customer, taking into account its financial position, past experience and other factors, is continually assessed and monitored by management.

Liquidity risk

The Group manages liquidity risk by continuously monitoring forecasted cash flow. The Group had $1,902,290 of cash and cash equivalents at 30 June 2012 and no borrowings and has not sought access to undrawn debt facilities. The Group's net working capital position at that date, measured in terms of current assets less current liabilities, was $1,256,738.

Fair value estimation	**$**
Financial Assets	
• Cash and cash equivalents	1,902,290
• Trade and other receivables	2,453,885
Financial Liabilities	
• Trade and other payables	2,914,008

Cash and cash equivalents, trade and other receivables and trade and other trade payables are short term instruments in nature whose carrying value is equivalent to fair value.

20. Dividends

No dividends have been paid or declared during the period (2011: nil).

	Consolidated 2012	Consolidated 2011
Franking credits	**$**	**$**
Franking credits available for subsequent financial years based on a tax rate of 30%	-	-
	-	-

These amounts represent the balance of the franking account as at the end of the year, adjusted for:

a) Franking credits that will arise from the payment of the amount of the provision for income tax;

b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

21. Key management personnel disclosures

Key management personnel compensation

	2012	2011
Short-term employee benefits	878,607	977,793
Post-employment benefits	87,766	81,564
Long-term benefits	(15,377)	(8,870)
Termination benefits	110,508	105,725
Share-based payments	37,698	100,030
	1,099,202	1,256,242

Detailed remuneration disclosures are included in the remuneration report in the Directors' Report.

21. Key management personnel disclosures (continued)

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Mnet Group Limited and other key management personnel of the Group, including their personally related parties, is set out below. These options were granted as part of the key management personnels' remuneration.

2012 Name	Balance at the start of the year	Options granted	Options exercised	Options lapsed	Options forfeited	Balance at the end of the year	Vested and exercisable	Unvested
Directors								
Chris Beare	-	-	-	-	-	-	-	-
Alexander Beard	-	-	-	-	-	-	-	-
Mel Brookman	-	-	-	-	-	-	-	-
Andrew Butterworth	-	-	-	-	-	-	-	-
Paul Doueihi	-	-	-	-	-	-	-	-
Mark Fay								
Ross Fielding	-	-	-	-	-	-	-	-
Bruno Fiorentini Jnr	-	-	-	-	-	-	-	-
Ben Grootemaat	-	-	-	-	-	-	-	-
Other key management personnel								
Horden Wiltshire	5,173,883	-	-	-	5,173,883	-	-	-
Robert Humphreys	2,099,505	-	-	-	-	2,099,505	1,670,770	428,736
Luigi Iuliano	1,472,894	-	-	-	-	1,472,894	1,044,158	428,736
Philip Slusarski	-	-	-	-	-	-	-	-
Kristy Manson	-	-	-	-	-	-	-	-
Leland Parker	-	-	-	-	-	-	-	-
Bridgette Munn	-	-	-	-	-	-	-	-
	8,746,282	-	-	-	5,173,883	3,572,399	2,714,928	857,472

21. Key management personnel disclosures (continued)

2011 Name	Balance at the start of the year	Options granted	Options exercised	Options lapsed	Options forfeited	Balance at the end of the year	Vested and exercisable	Unvested
Directors								
Chris Beare	-	-	-	-	-	-	-	-
Alexander Beard	-	-	-	-	-	-	-	-
Mel Brookman	-	-	-	-	-	-	-	-
Andrew Butterworth	-	-	-	-	-	-	-	-
Paul Doueihi	-	-	-	-	-	-	-	-
Mark Fay								
Ross Fielding	-	-	-	-	-	-	-	-
Bruno Fiorentini Jnr	-	-	-	-	-	-	-	-
Ben Grootemaat	-	-	-	-	-	-	-	-
Other key management personnel								
Horden Wiltshire	5,173,883	-	-	-	-	5,173,883	3,044,388	2,129,495
Robert Humphreys	2,099,505	-	-	-	-	2,099,505	1,278,082	821,423
Luigi Iuliano	1,472,894	-	-	-	-	1,472,894	675,994	796,900
Bridgette Munn	-	-	-	-	-	-	-	-
Paul Paoliello	1,800,000	-	-	-	1,800,000	-	-	-
Barry Porter	3,245,438	-	-	-	3,245,438	-	-	-
	13,791,720	-	-	-	5,045,438	8,746,282	4,998,464	3,747,818

21. Key management personnel disclosures (continued)

Share holdings

The numbers of shares in the Company held during the financial period by each Director of Mnet Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name 2012	Balance at the start of the year	Options exercised	Shares Issued	Other changes	Balance at the end of the year
Directors					
Chris Beare	-	-	-	-	-
Alexander Beard	230,000	-	-	-	230,000
Mel Brookman	7,788,468	-	-	-	7,788,468
Andrew Butterworth	-	-	-	-	-
Paul Doueihi	-	-	-	-	-
Ross Fielding	-	-	-	-	-
Ben Grootemaat	4,981,321	-	-	-	4,981,321
Other key management personnel					
Horden Wiltshire	1,889,437	-	-	-	1,889,437
Robert Humphreys	255,741	-	-	-	255,741
Luigi Iuliano	137,737	-	-	-	137,737
Philip Slusarski	-	-	-	-	-
Kristy Manson	-	-	-	-	-
Leland Parker	-	-	-	-	-
Bridgette Munn	-	-	-	-	-
	15,282,704	-	-	-	15,282,704

Name 2011	Balance at the start of the year	Options exercised	Shares Issued	Other changes	Balance at the end of the year
Directors					
Chris Beare	-	-	-	-	-
Alexander Beard	230,000	-	-	-	230,000
Mel Brookman	7,788,468	-	-	-	7,788,468
Andrew Butterworth	-	-	-	-	-
Paul Doueihi	-	-	-	-	-
Ross Fielding	-	-	-	-	-
Bruno Fiorentini Jnr	-	-	-	-	-
Ben Grootemaat	10,001,321	-	-	(5,020,000)	4,981,321
Other key management personnel					
Horden Wiltshire	1,889,437	-	-	-	1,889,437
Robert Humphreys	255,741	-	-	-	255,741
Luigi Iuliano	137,737	-	-	-	137,737
Bridgette Munn	-	-	-	-	-
Paul Paoliello	-	-	-	-	-
Barry Porter	767,549	-	-	-	767,549
	21,070,253	-	-	(5,020,000)	16,050,253

The company listed as a publically traded entity on 2 August 2007.

21. Key management personnel disclosures (continued)

Loans to key management personnel

A loan of $250,000 was provided to Ben Grootemaat on 28 June 2007 on exercise of the 10 million options (at 2.5 cents per share) in accordance with the terms and conditions when the options were granted. The loan was due to be repaid in August 2010. No interest has been charged in respect of the loan (the amount of interest that would have been charged on an arm's length basis in 2012 would be $2,730 (2011: $2,596). Interest is only payable to the amount of any dividends paid during the term of the loan in respect to these shares. The loan is unsecured although the company is entitled to sell the shares and apply the proceeds against the loan if the loan is not repaid on the due date.

As at 30 June 2012 a balance of $35,000 remains payable with respect to this loan. The company considers this amount collectable. There were no movements of this balance during the current reporting period.

	Consolidated	
	2012	**2011**
Loans to key management personnel	**$**	**$**
Loans to Directors	35,000	35,000
	35,000	35,000

Other transactions with key management personnel

No management personnel hold positions in other entities that result in them having influence over the financial and/or operating policies of those entities.

22. Remuneration of auditors

BDO was appointed auditor of Mnet Group Limited on 30 November 2009. The following fees were paid or payable for the following services:

Audit services		
Audit and review of financial reports – BDO	30,500	47,239
Total remuneration for audit services	30,500	47,239
Non-audit services		
Taxation services – BDO	41,680	27,160
Total remuneration for non-audit related services	41,680	27,160

23. Contingent asset and liabilities

During the 2011 year the Group sold its interest in its Caller Tones business to its long term partner Real Networks. As part of this sale Mnet Group may earn up to an additional $2,000,000 payable by 31 December 2012 dependent on the achievement of milestones related to specific contract renewal targets.

The Group does not have any significant contingent liabilities.

24. Commitments

	Consolidated	
	2012	**2011**
	$	**$**
Non-cancellable operating leases:		
Office rental commitments		
Within one year	333,819	238,079
Later than one year but not later than five years	581,489	37,201
Later than five years	33,653	-
	948,961	275,280

The Group has entered into non-cancellable operating leases for office accommodation in Adelaide, Brisbane, Sydney and Los Angeles. These lease term varies for each office and is generally for a period of between 2-5 years with an option to renew after the lease expiry date.

Equipment rental commitments		
Within one year	102,029	101,635
Later than one year but not later than five years	66,363	66,217
Later than five years	-	-
	168,392	167,852

The Group has entered into short-term equipment rental agreements office equipment and computer servers. Generally these agreements require rent paid monthly in advance and are for periods of between 1-5 years.

25. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 21.

26. Parent Entity

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	Parent Entity	
	2012	2011
	$	$
Statement of comprehensive income		
Income	-	4,115
Expenses	251,250	(2,874,834)
Total profit/(loss)	(251,250)	(2,870,719)
Total comprehensive income	(251,250)	(2,870,719)
Statement of financial position		
Current assets	103,521	359,836
Non-current assets	3,357,870	3,341,107
Total assets	3,461,391	3,700,943
Current liabilities	61,376	87,375
Non-current liabilities	-	-
Total liabilities	61,376	87,375
Net assets	3,400,015	3,613,568
Issued capital	26,436,063	26,436,063
Retained earnings/(losses)	(23,359,406)	(23,108,155)
Share Based Payment Reserve	323,358	285,660
Total equity	3,400,015	3,613,568

Guarantees

The Company has provided a guarantee in relation to the lease of its registered office that is in the name of Mercury Mobility (Australia) Pty Ltd. Mnet Group Limited has not entered into any other guarantees, in the current or previous financial year in relation to the debts of its subsidiaries.

Contractual commitments

As at 30 June 2012 the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: nil).

27. Subsequent Events

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the Group operations in future financial years, or results of those operations in future financial years, or the state of affairs in future financial years except for any potential outcome of the work being undertaken by Hall Capital Strategies Pty Limited as announced to the ASX on 29 February 2012.

28. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Consolidated	
	2012	**2011**
	$	**$**
Profit (loss) for the year	(509,581)	(1,769,223)
Depreciation and amortisation	95,382	124,999
Non-cash employee benefits expense-share based payments	37,698	100,030
Non-cash interest accrued	-	(4,115)
Impairment of intangibles	-	2,591,214
Disposal of fixed assets	-	-
(Gain)/loss on disposal of fixed assets	9,699	-
(Increase)/decrease in trade and other debtors	(493,007)	632,534
(Increase)/decrease in deferred tax	(16,763)	32,762
(Increase)/decrease in prepayments	(55,857)	18,633
Increase/(decrease) in trade creditors	1,156,971	(630,668)
Increase/(decrease) in provisions	(27,186)	4,111
Net cash inflow (outflow) from operating activities	197,356	1,100,277

Non-cash investing and financing activities

Options issued to key management personnel		-
Shares issued to employees		-
Shares issued to acquire subsidiaries		-

Cash and cash equivalents

Cash at bank and in hand	1,822,611	552,701
Short term bank deposits	79,679	1,215,000
	1,902,290	1,767,701

29. Earnings per share

Basic and diluted earnings (loss) per share	(0.2) ¢	(0.8) ¢
Reconciliation of earnings used in calculating earnings per share		
Profit/(loss) after tax used in the calculation of basic and diluted earnings per share	(509,581)	(1,769,223)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted earnings per share (options outstanding at reporting date are not included in the calculation of diluted earnings per share because the exercise price is greater than the average market price during the reporting period).	208,788,584	208,788,584

30. Share-based payments

Directors and Executive Option Plan

The establishment of the Directors and Executive Share and Option Plan was approved by a resolution of Directors on 25 June 2007. Employees eligible to participate in the plan are generally those in an executive position (including executive Directors) who are designated by Directors.

Options are granted under the plan for no consideration. The exercise price which is payable in cash will be the amount specified by Directors at the time of issue. The exercise period is the period specified by the Directors at the time of issue. The options vest based on service or performance criteria as specified by Directors. Options issued under the plan should not exceed 5% of the total number of issued shares of the Company at the date of issue.

Subject to the Board's discretion and the specific terms and conditions of grant, an option not exercised will lapse on the earliest of:

- the date 10 years from the date the option was granted or if special circumstances have arisen, 12 months after the date those special circumstances arose (the last exercise date);
- a determination of the Board that the participant has, in the Board's opinion, been dismissed or removed from office for a reason which entitles a company in the Group to dismiss the Participant without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the company (whether or not charged with an offence); or done any act which brings the Group into disrepute;
- the date on which the participant ceases to be employed by a member of the Group (other than due to the occurrence of a special circumstance); or
- the receipt by the Company of notice from the participant (after a special circumstance has arisen with respect to the participant) that the participant has elected to surrender the option.

The Board may in its discretion allow a participant to exercise all or any of their options, whether or not the exercise conditions have been satisfied and whether or not the options would otherwise have lapsed, provided that no options will be capable of exercise later than the last exercise date.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of Mnet Group Limited. Amounts receivable on the exercise of options are recognised as share capital.

Share options

The following table summarises options granted and exercised under the plan.

2012

Grant Date	Expiry Date	Exercise price (cents)	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable
06-Nov-09	28-Sep-15	4.85	1,462,375	-	-	-	(1,031,785)	430,590	430,591
06-Nov-09	28-Nov-17	9.7	522,720	-	-	-	(326,700)	196,020	196,020
06-Nov-09	03-Mar-19	12.4	1,795,347	-	-	-	(940,438)	854,909	694,536
06-Nov-09	03-Oct-14	5.1	4,965,840	-	-	-	(2,874,960)	2,090,880	1,393,781
30-Jun-10	07-Dec-14	8.8	-	-	-	-	-	-	-
			8,746,282	-	-	-	(5,173.883)	3,572,399	2,714,928
Weighted average exercise price (cents)			6.8	-				7.1	

30. Share-based payments (continued)

2011

Grant Date	Expiry Date	Exercise price (cents)	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable
06-Nov-09	28-Sep-15	4.85	2,018,484	-	-	-	(556,109)	1,462,375	1,462,375
06-Nov-09	28-Nov-17	9.7	784,080	-	-	-	(261,360)	522,720	457,328
06-Nov-09	03-Mar-19	12.4	2,393,796	-	-	-	(598,449)	1,795,347	1,009,793
06-Nov-09	03-Oct-14	5.1	6,795,360	-	-	-	(1,829,520)	4,965,840	2,068,968
30-Jun-10	07-Dec-14	8.8	1,800,000	-	-	-	(1,800,000)	-	
			13,791,720	-	-	-	(5,045,438)	8,746,282	4,998,464
Weighted average exercise price (cents)			7.1	-				6.8	

No options expired during the periods covered by the above tables. In 2012 5,173,833 options were forfeited (2011: 5,045,438). The weighted average remaining contractual life of share options outstanding at 30 June 2012 was 4.17 years (2011: 5.29 years). At 30 June 2012, 2,714,928 options were outstanding, that had vested and were exercisable (2011: 4,998,464).

The assessed fair value per option at grant date is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Employee share plan

The Employee Share Plan is a general employee share plan adopted by resolution of the Board on 25 July 2007.

- The Board may at any time invite employees to participate in the plan, by specifying the total number of shares being made available to the employee or the method for calculating that number, the closing date for applications and the last date for acceptance by the Company, the issue price payable on acceptance of the application by the Company and issue of the shares and any other specific terms and conditions of issue of the shares. The Board has the discretion to determine the specific terms and conditions applying to each offer, and has the right to reject any application by an employee without having to give reasons.
- The Company must not issue any shares under the plan if an issue of shares under the plan would result in a participant owning (legally or beneficially) or controlling the exercise of voting power attached to 5% or more of all shares then on issue.
- Shares issued under the Plan will rank equally with all shares.
- Unless otherwise determined by the Board, participants who receive shares under the plan will not be entitled to sell, transfer, assign, encumber, dispose of or otherwise deal with in any way those shares until the earlier of the end of three years from the date of acquisition of the shares or the time at which that person ceases to be an employee of a Group company. The Company will implement such arrangements as it determines are necessary to enforce this restriction.
- In accordance with current Australia tax legislation, shares acquired under the plan must be held for a minimum of three years (or earlier cessation of employment), during which the time the shares are subject to a disposal restriction such that the participant cannot deal in (i.e. sell or transfer) the shares.

No shares were issued to participants in 2012 (2011: nil).

30. Share-based payments (continued)

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Options issued under employee option plan	37,698	100,030
Shares issued under employee share scheme	-	-
	37,698	100,030

Mnet Group Limited

Director’s Independence Declaration

For the year ended 30 June 2012

The Directors of the company declare that:

1. In the opinion of the Directors the attached financial statements and notes:

(a) comply with the Corporations Act 2011, including complying with Accounting Standards and the Corporations Regulations 2001;

(b) are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements, and;

(c) give a true and fair view of the financial position as at 30 June 2012 and of the performance of the consolidated entity, as represented by the results of its operations and its cash flows, for the year ended on that date.

2. The Directors have been given the declarations required by s295A of the Corporations Act 2001;

3. In the Directors’ opinion there are reasonable grounds to believe that Mnet Group Limited will be able to pay its debts as and when they become due and payable; and

4. The remuneration disclosures in the remuneration report comply with s 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Christopher Beare

Chairman and Director

30 August 2012

BDO

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DECLARATION OF INDEPENDENCE BY

PAUL GOSNOLD

TO THE DIRECTORS OF MNET GROUP LIMITED

As lead auditor of Mnet Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit
- Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mnet Group Limited and the entities it controlled during the period.

Paul Gosnold

Paul Gosnold

Partner

BDO (SA)

30 August 2012

BDO

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MNET GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mnet Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mnet Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) The financial report of Mnet Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date

  (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*

(b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mnet Group Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO

BDO (SA)

Paul Gosnold

Paul Gosnold
Partner

31 August 2012

Mnet Group Limited

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2012.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Class of equity security Ordinary shares	
		Holders	**Shares**
1 -	1,000	327	150,160
1,001 -	5,000	988	2,549,230
5,001 -	10,000	432	3,105,456
10,001 -	100,000	398	10,540,039
100,001 -	and over	85	192,443,699
		2,230	208,788,584

There were 2,052 holders of less than a marketable parcel of ordinary shares.

Equity securities holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Name	Ordinary Shares Number held	Percentage of Issued shares
1	Yahoo! Digital Media (Content) Pty Ltd	32,268,028	15.45%
2	Alcatel-Lucent Australia Limited	31,828,486	15.24%
3	Telstra Corporation Ltd	26,647,612	12.76%
4	CVC Limited	25,112,307	12.03%
5	Norfolk Enchants Pty Ltd <Trojan Retirement Fund A/C>	13,185,605	6.32%
6	Stinoc Pty Ltd	8,155,807	3.91%
7	Melambrook Pty Ltd	7,786,109	3.73%
8	Mr Ben Grootemaat	4,981,321	2.39%
9	Bywater Investments Limited	3,417,867	1.64%
10	Austereo Pty Ltd	2,342,178	1.12%
11	Chemical Trustee Ltd	2,325,844	1.11%
12	Tup Pty Ltd <J Gibbs S/F A/C>	2,300,000	1.10%
13	Panick Pty Ltd	2,000,000	0.96%
14	William Horden Wiltshire	1,889,437	0.90%
15	Karidis Corporation Limited	1,414,415	0.68%
16	Mrs Susan Holt	1,296,537	0.62%
17	Mrs Carolyn Anne Porter	1,236,667	0.59%
18	University Of South Australia	1,129,794	0.54%
19	North Balwyn Pty Ltd <Tobin Property A/C>	1,100,000	0.53%
20	Mr Gordon Fredrick Axford	1,000,000	0.48%
	Total percentage of issued shares	171,418,014	82.10%

Shareholder Information (continued)

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the Directors and Executive Share and Option Plan to take up ordinary shares	*3,572,399*	*2*

Substantial holders in the company are set out below

Name	Ordinary Shares Number held	Percentage of Issued shares
Yahoo! Digital Media (Content) Pty Ltd	32,268,028	15.45%
Alcatel-Lucent Australia Limited	31,828,486	15.24%
Telstra Corporation Ltd	26,647,612	12.76%
CVC Limited	25,112,307	12.03%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights

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MNETGROUP